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**THE EFFECT OF LOYALTY PROGRAMS ON CUSTOMER PATRONAGE OF
SUPERMARKETS IN NAIROBI COUNTY**

BY

WATHIGO, Peter



**Submitted in partial fulfilment of the requirements for the Degree of
Master of Business Administration at Strathmore University**

**Strathmore Business School
Strathmore University
Nairobi, Kenya**

December, 2015

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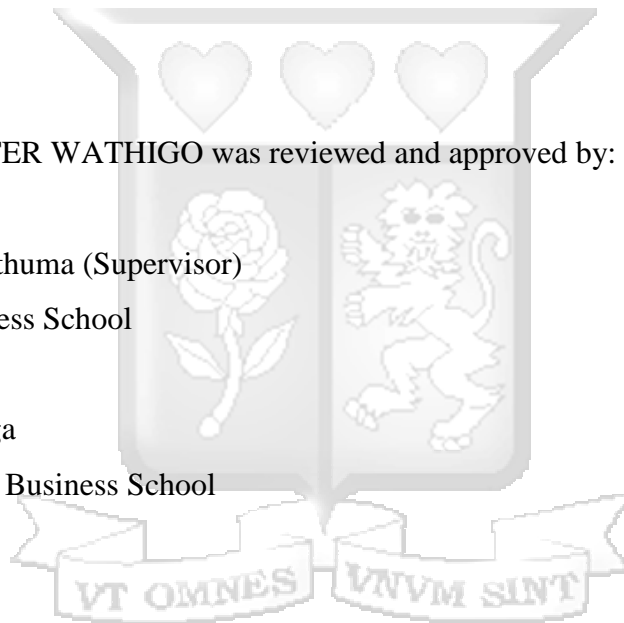
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ABSTRACT

Customer loyalty programs are a common strategy adopted in business to increase customer value and achieve competitive advantage. This study sought to investigate the effect of loyalty programs on customer patronage of supermarkets in Nairobi County. The research sought: to analyze the effect of loyalty programs on consumer patronage of supermarkets; establish the influence of perceived value of loyalty programs on patronage behaviour and to determine the mediating role of supermarket's service quality on loyalty program effects. Descriptive research design was used. Questionnaires were administered to a sample of 384 supermarket loyalty card holders from Nairobi County's four administrative divisions namely: Nairobi West, Nairobi East, Nairobi North and Westlands. Stratified sampling technique was used. The sampling unit was all consumers with a supermarket loyalty card. Data was analyzed using Chi-square tests and hierarchical regression analysis.

The results showed that after accounting for consumer demographics, convenient location and service quality, loyalty programs explained 5.7% of the variability in customer patronage of supermarkets to a statistically significant degree ($p < .05$). It was concluded that loyalty programs positively influenced patronage behaviour of consumers towards supermarkets in Kenya, although the degree of influence was relatively small. Perceived value of loyalty program rewards moderated patronage behavior of card holders to supermarkets. Generally, loyalty programs were not that important to card holder's shopping experience although they conferred a sense of prestige as card holders felt special. Instead, convenient location was a more important store attribute that determined patronage behavior.

It was recommended that supermarkets need to be more innovative at their rewards program offerings. Loyalty schemes should provide instant gratification to customers. Supermarkets should exploit the sense of prestige conferred by the loyalty cards through appropriate brand positioning strategies. Supermarkets that do not enjoy strong brand identity should reallocate resources away from loyalty schemes to improving store attributes such as speed of service and staff responsiveness as well as location convenience. Further studies could focus on the contribution of loyalty schemes to the operational efficiencies of supermarkets in Kenya.

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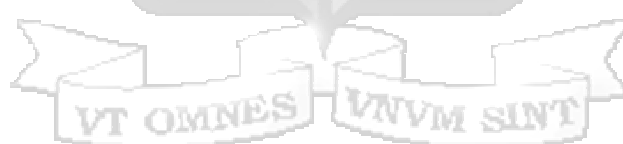


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LIST OF ACRONYMS

IS	Importance-Satisfaction
SERVQUAL	Service Quality
SPSS	Statistical Package for the Social Sciences
UK	United Kingdom
US	United States



DEFINITION OF TERMS

- Loyalty** This refers to customer commitment to shopping at a particular store or retail outlet (Levy & Weitz, 2007).
- Loyalty programs** Structured marketing efforts that build an emotional attachment to the brand through personalized relationship by rewarding and encouraging buying behaviour to the benefit of the firm (Meyer-Waarden & Benavent, 2009).
- Customer patronage** Tendency of customers to frequent a particular supermarket brand for similar products that can be accessed or purchased elsewhere (Manana, 2006).



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DEDICATION

To my wonderful family.



CHAPTER ONE

1 INTRODUCTION

1.1 Research Background

Customer loyalty programs, defined as structured marketing efforts that build an emotional attachment to the brand through personalized relationship by rewarding and encouraging buying behaviour to the benefit of the firm (Huang, McCain & Tie, 2010; Meyer-Waarden & Benavent, 2009; Wijaya, 2005) are a common strategy adopted in business to increase customer patronage and achieve competitive advantage. This is informed by the pervasive belief that return visits and consequently frequent purchase behaviour are top-line elements of customer patronage (De Vasconcellos & Botelho, 2014).

Customer patronage is strongly linked to retail performance, measured by total number of customers, total store visits and average spend per shopping trip (Martinez-Ruiz, Jimenez-Zarco, & Izquierdo-Yusta, 2012). Thus, the business case for loyalty programs as suggested by Huang *et al.* (2010) is increased brand loyalty by creating switching costs through points system and increased operational profit by avoiding price competition. The practice of loyalty program in business has therefore attracted much academic interest. This interest stems from the belief that the advantage of a loyal customer to the business is increased sales and decreased market costs. Indeed, loyalty programs have existed for years; with commentators like Farooqi and Rehmaan (2010) speculating that such programs will continue to hold researchers' attention for a long time to come.

Smith and Sparks (2009) describe a typical loyalty scheme as where members accrue points, normally based on dimensions of the volume, value and frequency of spend. Jeon (2008) identify five types of loyalty program: direct mail, preferential treatment, interpersonal communication and rewards. Farooqi and Rehmaan (2010) delineate five categories of loyalty programs. The first category is appreciation programs where the customers are given more of a company's product or service towards points' redemption. The second category entails rewards program in which customers are given rewards

unrelated to the company's product or service. The third category is partnership programs that market to another company's database and allow loyal customers to choose their rewards from either company. Rebate program constitute the fourth category and this is where the customers get a discount/money back when they buy more. Lastly, there is coalition programs where different companies come together to share customer data to jointly target a customer demographic.

According to Smith and Sparks (2009), the differences between the loyalty program types and categories may be related both to operational and psychological aspects, such as scheme design and operation, consumer requirements, perceptions of and involvement in the scheme, perceptions of the retailer and the consumer's situation. Despite these differences, loyalty programs are typically offered by businesses to stimulate continued patronage among consumers through discounts, cash, free goods, or special services (Berman, 2006). The benefits of retaining customers have direct impacts on company's profitability as the costs associated with taking care of loyal customers decline over time, while at the same time, sales from loyal buyers increase as a consequence of their loyal patronage behavior (Wijaya, 2005). These programs are often operationalized through the use of a consumer identification mechanism, often a 'loyalty' card (Smith & Sparks, 2009).

According to Jeon (2008), loyalty programs sustain customers' interest, lend depth and uniqueness to a group and make customers believe that they belong to a special group. The use of a customer loyalty program is to give its customers an incentive to buy its goods or services by earning award credits whenever they buy from the company, which they can then use to obtain free or discounted goods or services (Bragg, 2010). Butscher (2002) postulates that the ultimate goal of every customer loyalty program is to increase profit, revenue and market share, thus securing the company's stability and existence. He avers that the customer loyalty program's primary purpose is to build a relationship with the customers that turns them into long-term loyal customers, who ideally will obtain their lifetime demand for a specific product or service from the company sponsoring the loyalty programme. The second main goal is to attract new customers through satisfied loyalty programme members' increased word-of-mouth. Generally, it has been found that companies that form a good relationship with their customers

enjoyed higher sales, greater word-of-mouth recommendations and lower costs per transaction (Farooqi & Rehman, 2010).

1.1.1 Global Adoption of Loyalty Programs

According to Mark and Munoz (2010), loyalty programs concept has reached a global scale, with the United States (US) having the greatest number of loyalty program firms in the world. Berman (2006) reports statistics which estimate the US loyalty marketing industry at \$6 billion with 2,250 separate loyalty programs; with almost 90 percent of Americans actively participating in some type of loyalty program. As of the year 2006, loyalty program enrolments in the US had hit 1.5 million (Liu & Yang, 2009). Similar usage is reported in United Kingdom (UK) and Canada, with one source estimating that 92 percent of UK consumers participate in a loyalty program, 78 percent being members of two or more programs whereas 95 percent of Canadians belonged to loyalty programs of department stores, mass retailers or general merchandisers (Berman, 2006).

Africa is not left behind on the loyalty programs bandwagon, whereby studies indicate that countries such as South Africa already generate R12 billion per annum with more than 10 million South Africans carrying at least one loyalty card (Pidduck & Odendaal, 2013). In Kenya, loyalty programs have been associated with companies that have achieved runaway success such as Safaricom which launched a loyalty program embedded within their MPESA brand in the year 2007 (Chandy, Hosono, Kharas & Linn, 2013).

Generally, loyalty programs can be found across all industries from the airline industry to retail chains and banking sector (Helmes, 2011). Berman (2006) argues that the most current form of customer loyalty programs started in the 1980s with the introduction of frequent flier programs by airlines which sought to reward loyal customers through utilizing the airlines' excess capacity. Since then, hotels, department stores, drugstores, gasoline stations, grocery stores, mass merchandisers, and specialty apparel stores, all have adopted loyalty programs (Singh, Jain & Krishnan, 2008). In the UK for instance, loyalty programs are popular in the retail sector among gasoline stations, supermarkets, and bookstores (Berman, 2006).

In the retail sector, Meyer-Waarden and Benavent (2009) observe that consumers typically patronize multiple outlets for a variety of products, which raises the important question of how outlets can gain a greater share of consumer spending. In the specific case of supermarkets, Agudo, Crespo, and Rodriguez del Bosque (2012) portend that strategies aimed at building up and consolidating the loyalty of customers have taken concrete form in the growing development and dissemination of customer loyalty programmes commonly supported by buyer cards, computerized systems, and economic incentives.

1.1.2 Supermarkets Sector in Kenya

Supermarket sector in Kenya is arguably still in its formative stage though the first supermarket was established in the 1960s, with many having since rapidly popped up all over the country with recorded count standing at around 220 supermarkets (Neven & Reardon, 2005). The fast development of the supermarket sector in Kenya has been attributed to an array of factors including increased urbanization; a burgeoning middle class and market liberalisation that has led to increased competition in the sector (Irungu & Wanjau, 2011). Ouma *et al.* (2013) argue that the high growth of supermarkets in Kenya has placed the country as a supermarket hub in comparison to the rest of Eastern Africa in supermarket presence. In East Africa, Kenya's supermarket industry is considered the most developed and rapidly expanding with an annual growth rate of 18% (Kibwage, Odondo & Momanyi, 2008).

The supermarkets sector in Kenya comprises of four main retail chains namely Uchumi, Tusksys, Nakumatt and Ukwala (Ouma, Mwangi & Molo, 2013). However, the market is dominated by two market leaders – Uchumi and Nakumatt which are both large domestic capital chains that together command some 65 to 70 percent of the supermarket's market share in terms of volume sales and retail outlet network (Neven & Reardon, 2005; Irungu & Wanjau, 2011). According to Irungu and Wanjau (2011), Nakumatt is the leading player in the sector with over 19 branches in Kenya as well as regional presence through a branch in Uganda and Rwanda; heralded as a ground breaker in East and Central Africa as it is the first retailer to have its stores open round the clock.

Ouma *et al.* (2013) note that although the foregoing is the case, the market concentration has kept on increasing and several independent supermarkets have also come up, with Nairobi accounting for many of the supermarket chains owing to its high population. For instance Tuskys Supermarkets is identified by Irungu and Wanjau (2011) as another major chain in Kenya, ranking second, by sales, in the retail industry. Other key retail chains identified by the authors are Ukwala, Chandarana, Eastmatt and Naivas Supermarkets. The business environment of the supermarkets sector in Kenya is thus characterized by stiff and increasing competition, not to mention shifting consumer needs and preferences and reduced business cycles.

1.2 Research Problem

Supermarkets invest considerable effort and money in developing and operating loyalty schemes and systems for consumers (Smith & Sparks, 2009). Keiningham, Vavra, Aksoy and Wallard (2005) cite studies that have found that the investment in loyalty programs, including IT training can cost large retailers up to \$30 million in the first year and annual maintenance costs can total between \$5 million to \$10 million a year. However, despite the large number of firms offering loyalty programs and their high levels of consumer membership (Berman, 2006), questions have been raised as to the viability of loyalty programs as a strategy to increase revenue potentials (Liu & Yang, 2009). These questions arise from previous research which find that only 24 percent of respondents were more likely to shop at stores that had loyalty programs, 76 percent of respondents stated that their shopping behavior had not changed since owning a loyalty card, 43 percent of the sample had no transactions and that an additional 36 percent used their card for between 1 and 5 transactions during a one-year period. In Kenya, a report by Herbling (2014) revealed that Nakumatt and Uchumi supermarkets unclaimed customer loyalty points had accumulated to nearly 630 million Kenya shillings, suggesting that shoppers do not bother.

Shaw (2002) argues that in a well designed loyalty program, members of the loyalty program should exhibit significantly different outcomes as compared to those not in the loyalty program. Thus, the effectiveness of loyalty programmes for increasing customer patronage remains questionable; since, according to Agudo *et al.* (2012), it would appear

that their main effect is to attract customers who are already loyal, instead of producing a change in buyer behaviour as a consequence of adherence to the system. Further, there are those who feel that loyalty programs do not build customer loyalty towards the company but rather build loyalty towards the loyalty program itself (Baran & Galka, 2013).

A plethora of studies attempting to answer the question of loyalty program effectiveness have been undertaken in the western world with mixed results, such as Dorotic, Bijmolt and Verhoef (2012) in Germany, Helmes (2011) in the Netherlands and Meyer-Waarden and Benavent (2006) in North America. De Vasconcellos and Botelho's (2014) research in Brazil for instance found that loyal customers do not patronage the supermarket stores because of their loyalty programs. Other researchers have examined other factors that affect customer patronage. For example, Chaiyasoonthorn and Suksa-ngiam (2011) investigated the factors influencing supermarket store patronage in Thailand and found that factors that correlated with purchase of goods and services were distance from home and workplace, purchase intention, customer satisfaction, perceived service quality, personal income and household income.

Liu and Yang (2009) blames part of the divergence in existing findings to a lack of consideration of the market environment in which loyalty programs operate, suggesting that the study of loyalty programs' effectiveness is context specific. However, limited studies have been undertaken in the Kenyan context. Kibeh (2013) analyzed the relationship between customer relationship marketing and customer loyalty in the mobile telecommunication industry Kenya but did not demonstrate the effect of loyalty programs on customer patronage. Curiously, a recent study by Muganda, Otuya and Waiganjol (2014) on the effect of customer loyalty schemes on competitiveness of supermarkets in Kenya found a positive effect, explaining 24.9% variation in supermarkets competitiveness. However, their research was undertaken in Nakuru Town.

A similar study undertaken in Nairobi was done by Afande (2015) who examined the effect of customer loyalty schemes on consumer behaviour in selected supermarkets in Nairobi. However, Afande's study was contestable on methodological grounds. Firstly, the study collected data from only four respondents, which immediately raises questions

of reliability of statistical estimates. In addition, the findings were based on the perspectives of supermarkets' staff, effectively discounting the opinions of consumers themselves. Thus, the existing research in Kenya is not adequate to answer the question of the return on investment in the marketing spend on customer loyalty programs by supermarkets in Kenya. In order to justify such investments for supermarkets in Nairobi, there is need for compelling empirical evidence. This study attempts to close the knowledge gap by analyzing the effect of loyalty programs on consumer behaviour with regards to supermarkets by surveying consumers in Nairobi County.

1.3 Research Objectives

The research sought to achieve the following objectives:

1. To analyze the effect of loyalty programs on consumer patronage of supermarkets in Nairobi County.
2. To establish the influence of perceived value of loyalty programs on customer patronage behaviour.
3. To determine the mediating role of supermarket's service quality on loyalty program effects.

1.4 Research Question

1. What is the effect of loyalty programs on consumer patronage of supermarkets in Nairobi County?
2. What is the influence of perceived value of loyalty programs on customer patronage behaviour?
3. Does supermarket's service quality mediate the relationship between loyalty programs and consumer patronage?

1.5 Significance of the Study

The following stakeholders would benefit from the study:

1.5.1 Supermarket Managers

Managers of supermarkets can use the findings of the study to establish the level of importance consumers attach to their loyalty programs and determine the potential value of their loyalty schemes in influencing customer loyalty and patronage.

1.5.2 Retail Stores

Other retail stores can also use the findings of this study to come up with loyalty programs that resonate with the consumer market.

1.5.3 Marketing Society of Kenya

Associations such as the Marketing Society of Kenya can draw from the findings of this study as a repository of knowledge that they can integrate within their workshops and knowledge diffusion platforms on current trends in the Kenyan consumer market.

1.5.4 Consumers

The research also technically stimulate consumer awareness of the various benefits that come with possessing loyalty card since supermarkets can use the information to develop consumer awareness campaigns in order to consolidate their market share.

1.5.5 Academicians

The study is also of significance to researchers and academicians as it attempts to answer the question of whether there is return on investment in loyalty schemes in the supermarkets sector within the Kenyan context. The study suggests research direction that can be used by the academic community to extend studies on customer relationship management and customer loyalty.

1.6 Scope of the Study

The study was conducted in Nairobi County. Data was collected from consumers within the four administrative divisions of the county. These are: Nairobi West, Nairobi East, Nairobi North and Westlands. The unit of study were adults above 18 years of age. The research was undertaken in the month of April 2015.

1.7 Chapter Summary

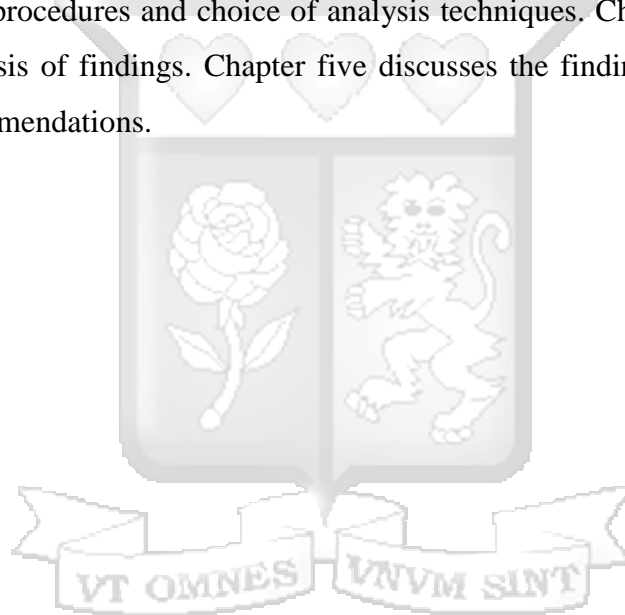
This introductory chapter has provided both the conceptual as well as historical background of loyalty card program concept and practice. It has delved on the global trend as well as the regional context of loyalty cards application. It has also discussed the

retail sector in Kenya with particular respect to supermarkets. Subsequently, the chapter has explained the research problem and stated the purpose, objectives and research questions. In addition, the significance and scope of the study have been provided.

The rest of the thesis is outlined as follows:

Chapter two reviews both theoretical and empirical literature relevant to the study of loyalty card programs. It critically discusses the current debate and identifies research gaps which informed the undertaking of the research.

Chapter three describes the research methodology which is essentially the blue print that was used to collect data. This includes the research design, population and sampling design, research procedures and choice of analysis techniques. Chapter four presents the results and analysis of findings. Chapter five discusses the findings, draws conclusions and makes recommendations.



CHAPTER TWO

2 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature pertinent to the study of loyalty card programs and their effectiveness in achieving customer loyalty and patronage. The review begins with a discussion of theories underpinning loyalty program research such as stimulus-response theory, SERVQUAL and Importance-Satisfaction models. Conceptual literature on loyalty program features and benefits is discussed. The chapter then makes an empirical review of past studies done on the area of customer loyalty. Finally, a conceptual framework is modelled to depict the relationship between the study variables in this research.

2.2 Theoretical Review

2.2.1 Stimulus-Response Theory

This theory draws from the pioneering work of Ivan Pavlov whose experiment with conditioning animals has been considered ground breaking (Baker, 2014). With respect to consumer behaviour, the Stimulus-Response Theory holds that a person learns as he or she responds to some stimulus by behaving in a particular way and gets a reward for a correct response or a penalty for an incorrect response (Petzer et al. 2006). Thus, a behaviour pattern is established when a person repeats the same response when reacting to the same stimulus (Petzer et al. 2006). The theory state that there must be some reward or penalty attached to the behaviour without which, a consumer will not be motivated either to repeat a particular behaviour or to avoid it. According to Zeidler (2009), the rewarded activities tend to be amplified by individuals following a rather basic learning scheme based on the amplification principle which build on the theory of conditioning. This is the cognitive process that reward elements in loyalty programs are built on. They mean to amplify the positive purchasing behavior by closely linking it to the reception of a certain reward, be it by collecting points for later redemption, or receiving an immediate cash discount on certain goods purchased.

Zeidler (2009) makes reference to studies which have shown that higher value rewards reinforce desired behavior better than lower value rewards. When the rewards are

stopped though, those who had received higher value rewards were more likely to return to the previous pattern of behavior than those who had received lower value rewards. Thus the perceived or real withdrawal of valuable privileges can easily lead to an opposed behavior than anticipated. For the reward to have any effect at all, the author argues that, it must be attractive enough to truly stimulate a change in behavior among customers. The offered value must be in close accordance with the needs and desires of the addressed target group.

The stimulus response approach in marketing has been criticized for its lack of customer orientation as the needs of the customer are of less interest to the organization (Honeycutt, Ford & Simintiras, 2003). Lambin and Schuiling (2012) for instance avers that the human organism does not always react to the stimulus presented by its surroundings. Despite its shortcomings, the theory has been applied in consumer behaviour research to model impulse buying behaviour (Graa & Dani-elkebir, 2012).

In this study, the stimulus response theory was used to evaluate the loyalty program stimuli that influence consumer patronage behaviour. Zeidler (2009) suggest that an efficient reward program should reflect a number of characteristics: the reward should be attractive enough to draw the customer to participate, should not be so big that the customer becomes loyal to the reward and not to the business or brand, is not so expensive that it makes the program uneconomical, is structured so that it can be altered, reduced or even withdrawn without alienating too many best customers, is able to attract new customers of best customer profile, encourages the customer to interact with the program frequently.

The foregoing characteristics discussed by Zeidler (2009) are consistent with the elements of a good loyalty program which Hartnett and Keisler (2006) identified as: the perceived value of the redemption rewards – that is, the greater the perceived value of the rewards, the more interest the consumer will generate in the program, and the more often they are likely to purchase; the range of choice of the rewards – the greater the variety of rewards available, the higher the percentage of customer base that will likely to join; the cash value of rewards – unless customers really desire the retail store's rewards, the cash value of them really does not matter; the perceived likelihood of achieving the rewards –

customers have to believe they will be able to achieve the rewards in a reasonable period of time because instant gratification is a stronger influence than delayed gratification; the program's ease of use – the loyalty program is unlikely to work if customers need a lot of learning to work it out; the psychological benefits of belonging to the program and accumulating points – the more special the customer feels and the more satisfaction they derive from being a 'privileged member' the more enthusiastic they are likely to be about patronizing a business. Generally, the loyalty card program must provide a compelling reason to participate (Zeidler, 2009).

2.2.2 SERVQUAL Model

Quality is a major concern in most organizations, particularly in light of intense foreign competition, more demanding customers, and poorer profit performance owing to reduced market share and higher costs (Pride & Ferrell, 2011). Good service quality means that the customers' perceptions of service performance meet or exceed their expectations of what the service firm should provide (Parikh, 2006). According to Chen and Chen (2010), perceived service quality is based on consumers' subjective evaluations on a combination of products, services, and experiences. Perceived quality has been widely agreed to be a vital element affecting consumer behavior. The SERVQUAL model has been adopted by various service providers and researchers as an instrument for empirical research (Gannage, 2009). SERVQUAL is a technique used for performing a gap analysis of an organization's service quality performance against customer service needs using a scale. In the SERVQUAL scale, Gannage (2009) identified five determinants. These are: "tangibles", "reliability", "responsiveness", "assurance" and "empathy" as the main items for measuring service quality.

The SERVQUAL model was later condensed by classifying the service quality experienced by customers within two primary dimensions namely: technical quality and functional quality (Rodrigues, 2013). Schmithausen (2012, p. 4) identified seven important criteria emphasized by Rodrigues (2013) for service quality. They are: "professionalism and skills, attitudes and behaviour, accessibility and flexibility, reliability and trustworthiness, service recovery, services-scope and reputation and credibility". According to Voudouris (2008), the basics of good customer service, availability, accessibility and responsiveness, remain at the core of service delivery.

The usefulness of SERVQUAL according to Buttle (2012) is that it offers managers a systematic approach to measuring and managing service quality by emphasizing the importance of understanding customer expectations, and developing internal procedures that align company processes to customer expectations. However, its major criticism are that the dimensions of SERVQUAL are unstable, such that when necessary, it can be adapted or supplemented to fit the characteristics or specific research needs of a particular company (Green, 2007). According to Butscher (2002), if the product does not sell because of significant quality, distribution, design or price problem, then a customer loyalty program will not make sense to customers. Thus, the SERVQUAL model was applied in this study to determine the mediating role of supermarkets' service quality in the loyalty program effects on consumer patronage.

2.2.3 Importance-Satisfaction Model

Juels (2004) avers that loyalty programs have two sides: on the one hand, customers value the financial benefits; on the other hand, they may fear infringement of their privacy. Hence, if privacy concerns outweigh the expected benefits from the loyalty program the vendor's strategy for attracting and retaining customers will fail. This point is amplified by Chen and Huang (2012) who argue that the critical success factors for any business consist of a limited number of areas in which results, if satisfactory, will ensure the organization's successful competitive performance. The authors subscribe to the view that being aware of these factors are of great importance, since it help managers to focus on the most relevant factors. This draws attention to the Importance-Satisfaction (I-S) model developed by Yang, Yang and Pai (2009).

The I-S model builds from the SERVQUAL model which, as some authors have pointed out, somewhat neglects the tangible and relational facets of quality in the service sector and cite the need to obtain a comprehensive and adaptable structure of quality for different types of services (Herna'ndez, Tur, Peiro' and Ramos, 2009). In this model, the degree of importance is on the horizontal axis and the level of satisfaction on the vertical axis. In this two-dimensional mode, the means (or medians) of the degree of importance and the level of satisfaction are then taken as the central point to show a vertical line and

a horizontal line respectively. The coordinates can then be divided into four areas as shown in Figure 2.1.

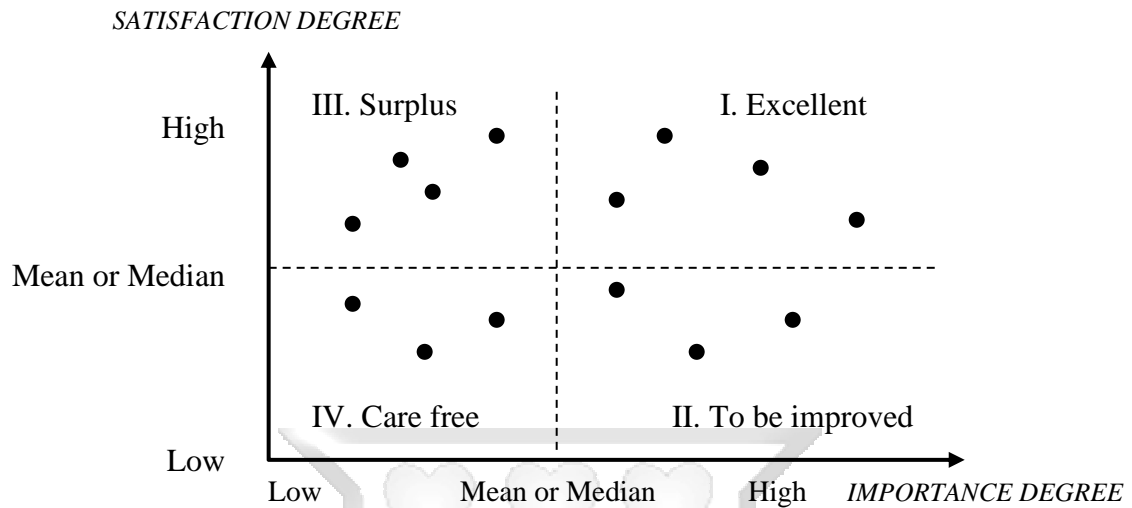


Figure 2.1 The Importance – Satisfaction Model

Source: Yang, et al. (2009)

In the Figure illustration Yang et al. (2009) expounded that the attributes located in the “Excellent” area are the quality attributes that customers consider important, and the performance of which is also satisfactory. Companies should endeavour to maintain good performance with respect to these items. Attributes listed in the “To be improved” area are those considered as important to customers, but in which performances have not reached customers’ expectations. Companies should focus on these elements with a view to making improvements immediately. The “Surplus area” represents attributes which are not very important to customers, but the customer perceptions rates performance as being quite satisfactory. Companies can put these quality attributes aside, with less concern. If a company needs to cut costs, these are the areas in which cuts can be made without any negative effect on quality performance. Lastly, in the “Care-free area”, customers have lower satisfaction levels with the quality attributes in this area, but they also feel that those items are less important. The company therefore does not need to worry about these items because they have less influence on the quality-evaluation processes.

Yang et al. (2009) argued that the I-S model can help firms concentrate their efforts to improve on the quality attributes that are located in the ‘to-be-improved’ area. This is because customers usually pay more attention to attributes of higher importance. The I-S model will thus be used in this study to help locate loyalty programs within either the “surplus”, “excellent”, “care-free” or “to be improved” quadrant to determine its potential importance in influencing patronage behaviour.

2.3 Loyalty Program Features and Benefits

A definitive feature of loyalty programs is that they are long-term oriented in nature, allowing consumers to accumulate some form of program currency, which can be redeemed later for free rewards (Farooqi & Rehman, 2010). Loyalty has been construed as a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand-set purchasing, despite situational influences and marketing efforts’ potential to cause switching behaviors (Huang, McCain & Tie, 2010). In a general sense, Zhang and Breugelman (2012) considered the goal of loyalty programs as being to establish a higher level of customer retention in profitable segments by providing increased satisfaction and value to certain customers. They give the example of many supermarket preferred shopper programs that are targeted toward heavy users. They argue that managerial justification for these programs is that increased customer satisfaction and loyalty have a positive influence on long-term financial performance. Wijaya (2005) define loyalty as how likely customers are to return and their willingness to spend more while on property, give positive referrals to others and tell management when problems occur. Wijaya proposed a typology of loyalty based on attitude and behavior as shown in figure 2.2.

		Attitude	
		High	Low
Degree of repurchase	High	Premium/True loyalty	Spurious / Inertia loyalty
	Low	No/ low loyalty	Latent loyalty

Figure 2.2: Loyalty Typology Based on Attitude and Behaviour

Source: Wijaya (2005, p. 25).

Wijaya (2005) explains that from the two dimensions above, there are four types of loyalty: premium loyalty or true loyalty – which occurs when a customer has a high level of attachment and performs high repeat visits; inertia loyalty or spurious loyalty – which occurs when a customer has a high repeat of purchase but has no emotional attachment to the company; latent loyalty – which occurs when a customer has a strong emotional attachment to the company but purchases less, and; no loyalty or low loyalty – which means there are no emotional attachment and repeat purchase performed by the customer. Berman (2006) summarized four loyalty program types as shown in table 2.1.

Table 2.1: A Typology of Loyalty Program Types

Program type	Characteristic of the program
Type 1: Members receive additional discount at register	<ul style="list-style-type: none"> • Membership open to all customers • Clerk will swipe discount card if member forgets or does not have card • Each member receives the same discount regardless of purchase history • Firm has no information base on customer name, demographics or purchase history • There is no targeted communications directed at members
Type 2: Members receive 1 free when they purchase units	<ul style="list-style-type: none"> • Membership open to all customers • Firm does not maintain a customer base linking purchases to specific customers
Type 3: Members receive rebates or points based on cumulative purchase	<ul style="list-style-type: none"> • Seeks to get members to spend enough to receive qualifying discount
Type 4: Members receive targeted offers and mailings	<ul style="list-style-type: none"> • Members are divided into segments based on their purchase history • Requires a comprehensive customer database of customer demographics and purchase history

Source: Berman (2006, p. 125)

Butscher (2002) discussed three important elements of a high perceived value of a loyalty program: the first element is high value – every benefit has a certain value for customers, but only those benefits that have a high value will make membership attractive. In order to have a high value, a benefit must meet the expectations of the target groups, have a certain exclusiveness and/or ‘stand out from the crowd’. The value of a benefit must also be high in absolute terms and not only in comparison to other programmes’ benefits. If the overall value level of the benefits is low, then it is probably better not to launch the loyalty programme at all, but invest more time in finding higher-valued benefits or other promotional activities. The second element is perceived value – the benefits must not only be good from the sponsoring company’s perspective, the customers must also see it that way. It is not enough to think that a benefit offers a high value. If the customer perceives it differently, because it is not the benefit they desire, has not been explained well enough or is too complicated, then the value is certainly reduced. The other element is selection of benefits from the customer perspective - the customer’s opinion is what matters, and the only way to find out what they think is to ask them. The program will only work if it offers benefits that the customers like, rather than those that you want them to like.

2.4 Empirical Review

According to Keiningham *et al.* (2005), loyalty programs in many retailers are replete with money-draining false promises, often improperly executed and short-sighted. They argue that most loyalty programs actually lose money for their sponsors despite their popularity. In their view, achieving return on investment is difficult as consumers who are members of a loyalty program do not seem to end up spending more than customers who are not members. For example, Berman (2006) cite studies which have shown that long-life customers may not spend more, be lower-cost customers to serve, or have lower price sensitivity. He concludes that customers with high revenue are always preferable, regardless of the duration of the relationship.

An empirical review of literature undertaken by Berman (2006) revealed that many individuals and households are enrolled in multiple loyalty programs. Berman cites a study that found that 54 percent of primary US grocery shoppers belonged to two or

more loyalty programs, 15 percent of consumers were enrolled in at least three programs, and 4 percent were members of either four or five loyalty programs. One explanation given by Berman for the lack of success of many loyalty programs is the extent to which consumers are members of multiple loyalty programs. Berman argues that when consumers have the option of collecting points in loyalty programs where the ease of making qualifying purchases, the rewards, and the redemption requirements are similar, it is very difficult for one loyalty program to maintain a significant competitive advantage over others.

Agudo *et al.* (2012) examined the factors that influence the effectiveness of customer loyalty programmes to cause a change in consumers' behaviour in retailing services. In particular, they analyzed three explanatory variables: the quality of service offered to the customer, her/his trust in the company, and her/his attitude towards loyalty programmes. The results obtained indicate that a change in the buyer's behaviour is directly influenced by her/his loyalty to the retailer and by her/his attitude towards loyalty programmes. Furthermore, an indirect effect on changes in buyer behavior caused by the quality of service and the consumer's attitude towards loyalty programmes is observed. According to Butscher (2002), what makes a customer loyalty programme successful are its soft benefits such as special offers, value-added services, the special treatment, the recognition and reward that the customer is looking for. Butscher argues that these soft benefits are responsible for the major proportion of the loyalty effect.

Butscher (2002) further avers that a customer loyalty programme does not lead to immediate business improvement and success, but gradually works towards all these goals over the months and years of the relationship with its customers. In line with this argument, Liu (2007) examined the long-term impact of a loyalty program on consumers' usage levels and their exclusive loyalty to the firm. Using longitudinal data from a convenience store franchise, the study showed that consumers who were heavy buyers at the beginning of a loyalty program were most likely to claim their qualified rewards, but the program did not prompt them to change their purchase behavior. In contrast, the study established that consumers whose initial patronage levels were low or moderate gradually purchased more and became more loyal to the firm. For light buyers, the findings indicated that loyalty program broadened their relationship with the firm

into other business areas. The findings suggested a need to consider consumer idiosyncrasies when studying loyalty programs and illustrated consumers' co-creation of value in the marketing process.

Meyer-Waarden and Benavent (2006) tested the impact of loyalty programmes on the general market structure and found that loyalty programmes do not substantially change market structures. They found that when all companies have loyalty programs, the market is characterized by an absence of change of the competitive situation. Consistent with their study, Foxall (2002) reported a discussion of the potential of loyalty programs to alter the normal market patterns of repeat-purchase behavior and found an overall trend towards a weak level of excess loyalty.

Dorotic *et al.* (2012) reconciled opposing findings by exploring the conditions that mediate and moderate the effects of loyalty program participation on consumer responses. In the overall, they found that loyalty programs were effective in increasing consumer purchase behaviours over time, but the impact differed across consumer segments and markets. Some scholars have also argued that membership in multiple loyalty programs eventually cancel out the effect of each individual program (Liu & Yang, 2009).

Evanschitzky *et al.* (2012) investigated the difference between the effect of loyalty programs on company loyalty and program loyalty and found that company loyalty influences a customer's choice to visit a particular provider and to prefer it over competitors, but it is not a strong predictor of purchase behavior. Conversely, program loyalty as far as their study was concerned is a far more important driver of purchase behavior. This implies that company loyalty primarily attracts customers to a particular provider and program loyalty ensures that once inside the store, more money is spent.

Wijaya (2005) used meta-analysis technique to review nine empirical studies in hospitality businesses to determine the effect of loyalty programs on customer loyalty in the hospitality industry. Result of his study showed that loyalty programs do not have a significant effect on increasing customer loyalty. The programs were only able to encourage customers to repeatedly purchase without having emotional attachment and personal relationship to the companies.

Musa and Nazri (2007) assessed the effects of program perceived value offered by few leading retail superstores and departmental stores in Malaysia on its members' loyalty towards the store using a sample of 153 retail loyalty programs' members was analyzed. The results exemplified that program perceived value was a strong driver of program satisfaction and program card loyalty. Unexpectedly, program perceived value was not a significant predictor of store loyalty but, it had an indirect effect on store loyalty mediated by program satisfaction.

Bojei *et al.* (2013) examined the relationship between customer service, loyalty/rewards programs, customization, personalization, brand/store community and customer retention via an empirical investigation of 450 loyalty/reward program members of three retail stores in Malaysia. Four of the five relationship marketing tools, namely, customer service, loyalty/rewards programs, brand/store community and personalization, had a significant positive relationship with customer retention.

Huang *et al.* (2010) empirically investigated whether loyalty programs indeed build customer loyalty or just merely create habitually repeat patronage in the casino industry. The findings of path analysis indicated that monetary reward, special treatment reward and employee interaction reward significantly and positively influenced customers' satisfaction with loyalty program. However, timing of the reward did not have a significant impact on customer's satisfaction with the loyalty program. Further, some studies have also established that hierarchical loyalty programs can drive otherwise loyal customers away from a firm if their status is revoked because of falling short of required spending level (Wagner *et al.*,2009). Helmes (2011) for instance gives the example of Shell whose division in the Netherlands tried to discontinue its loyalty program, but was confronted with lots of negative publicity and the company was forced to reinstate the loyalty program at high costs.

2.5 Research Gaps

Empirical evidence is inconclusive on the economic value added by loyalty programs as measured by customer patronage frequency and basket value. The limited studies that exist have been undertaken in the western world which differs in many ways from the

socioeconomic context of a developing economy context such as Kenya. These are gaps that the study sought to fill.

2.6 Conceptual Framework

The following conceptual framework depicts the relationship between the independent, mediating and dependent variables. The figure illustrates that the effect of loyalty card program benefits such as cash discounts, redeemable cash equivalents, gift packs, special treatment and recognitions on consumer patronage of supermarkets has an effect on patronage as measured by basket value. Shopper frequency and store loyalty is mediated by the service quality experience of shoppers including convenience in terms of location and opening hours.

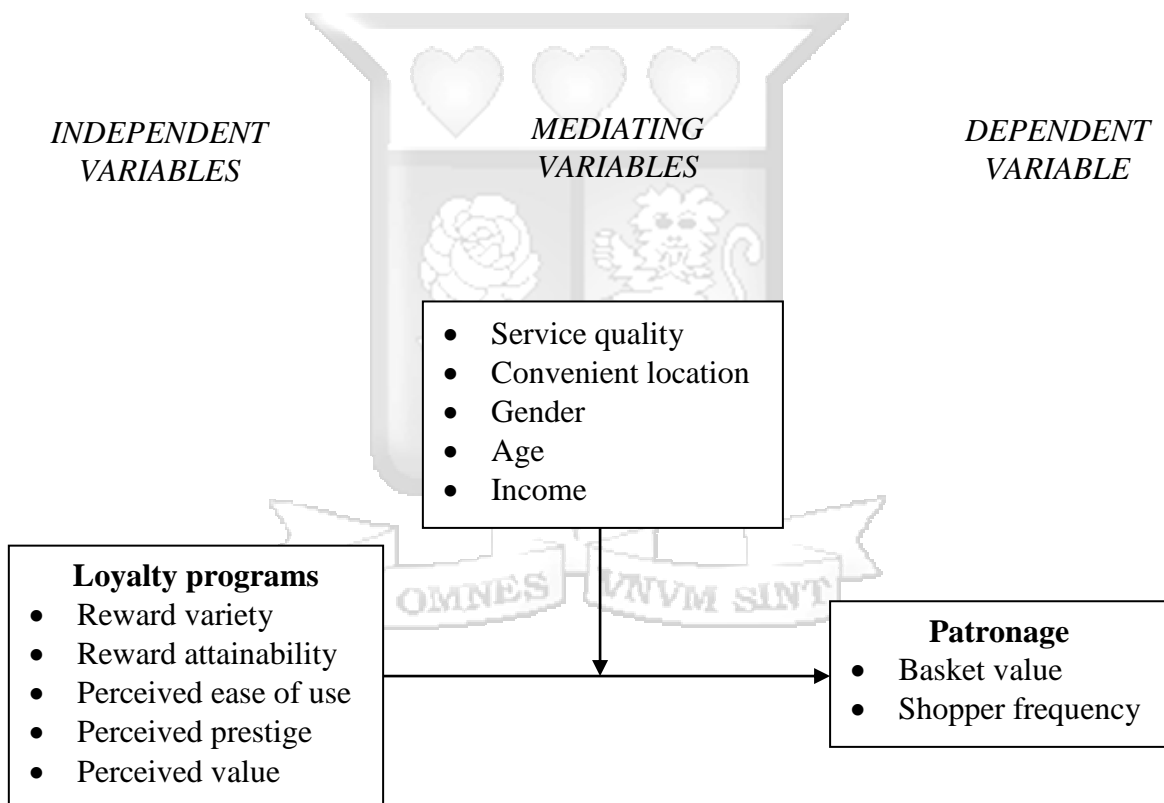


Figure 2.3 Conceptual Framework

Source: Author (2015)

2.6.1 Hypothesis 1

Both the study by Muganda *et al.* (2015) which analyzed the effect of loyalty schemes on competitiveness of Supermarkets in Nakuru Town, Kenya and the study by Afande (2015) which examined the effect of loyalty customer loyalty schemes on consumer

behavior in selected supermarkets in Nairobi argued that loyalty programs positively influenced consumer behavior to a statistically significant degree. Yet studies conducted elsewhere (De Vasconcellos & Botelho's, 2014) in Brazil and (Chaiyasoonthorn & Suksa-ngiam, 2011) Thailand found that loyal customers do not patronage the supermarket stores because of their loyalty programs. Thus, the study proceeded to test the following assumptions:

H₁ Customer loyalty programs significantly influence patronage behaviour of supermarket customers in Kenya

H₀ Customer loyalty programs have no effect on patronage behaviour of supermarket customers in Kenya

2.6.2 Hypothesis 2

Hartnett and Keisler (2006) hypothesized that the greater the perceived value of the rewards, the more interest the consumer will generate in the program, and the more often they are likely to purchase. Musa and Nazri (2007) confirmed this hypothesis in their study of the effects of program perceived value in Malaysia on members' loyalty towards the supermarket store. Their finding showed that program perceived value was a strong driver of program satisfaction and program card loyalty. However, an unexpected outcome of their study was that program perceived value was not a significant predictor of store loyalty but, it had an indirect effect on store loyalty mediated by program satisfaction. However, given the results of the study by Wijaya (2005) which showed that loyalty programs do not have a significant effect on increasing customer loyalty beyond encouraging customers to repeatedly purchase, without having emotional attachment to the companies, it can be argued that perceived value of loyalty programs have no significant relevance in influencing patronage behaviour of customers. This study thus hypothesized that;

Does supermarket's service quality mediate the relationship between loyalty programs and consumer patronage?

H₁ Perceived value of loyalty programs mediated by service quality significantly influenced the relationship between loyalty programs and customer patronage?

H₀ Perceived value of loyalty programs mediated by service quality did not significantly influence the relationship between loyalty programs and customer patronage?

2.6.3 Hypothesis 3

A study by Chaiyasoonthorn and Suksa-ngiam (2011) which investigated the factors influencing supermarket store patronage in Thailand found that perceived service quality were among the factors that correlated with purchase of goods and services, rather than loyalty programs. Thus, the following hypotheses were tested.

H₁ Perceived service quality mediated loyalty program influence on customer patronage.

H₀ Perceived service quality of supermarket store had no significant effect on loyalty program influence on customer patronage.



CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the details of the methodology used for this study. It discusses the population and sampling design, sample size, sampling technique, data collection methods, research procedures and data analysis methods.

3.2 Research Design

Descriptive research design was used. This research design involves measuring a set of variables as they exist naturally (Gravertter & Forzano, 2011). The design offers the researcher a profile or to describe relevant aspects of the phenomena of interest from an individual, organization or other perspectives (Sekaran, 2003). The dependent variable is customer loyalty and patronage whereas the independent variable is loyalty program and mediating variable is service quality and convenience.

3.3 Population and Sampling Design

3.3.1 Population

A population is the total set of elements about which some inferences can be drawn after research has been undertaken (Saunders *et al.*, 2009) whereby population elements refer to the subject on which the measurement is being taken (Cooper & Schindler, 2005). The target population was all the 985,016 consumers residing in Nairobi County as per the statistics reported by the Kenya National Bureau of Statistics (2013).

3.3.2 Sample Design

Saunders *et al.* (2009) define the sampling frame as the complete list of all the cases in the population from which a probability sample is drawn. Thus, the sampling frame was drawn from statistical report made available online by the Kenya National Bureau of Statistics.

Stratified sampling technique was used. According to Jackson (2011), stratified random sampling takes into account the different sub-groups of people in the population and

helps guarantee that the sample accurately represents the population on specific characteristics. Nairobi County is divided into four administrative districts. These are: Nairobi West, Nairobi East, Nairobi North and Westlands. Thus, the sample was stratified into these four administrative districts. Nairobi West District begins from the upmarket regions of Karen and Langata to the sprawling slums of Kibera, Laini Shabaa and Mugumoini. Towards the hilly end of Nairobi West is the former Dagoreti Constituency which comprises of Uthiru, Mutuini, Waithaka, Kawangware and Riruta locations. Nairobi West borders Westlands District, a characteristically well-off district that includes Highridge, Kitisuri, Parklands, Kileleshwa, Kilimani and the not so endowed Kangemi location. Nairobi North District encompasses Kahawa, Githurai, Roysambu, Kasarani, Ruaraka, Kariobangi and Korogocho as well as Thome. Finally, Nairobi East is a densely populated low land that stretches from the former Kamukunji Constituency including Eastleigh, Bahati and Pumwani northwards and the estates of Makongeni, Maringo, Makadara and Viwandani along Jogoo Road through to Buru Buru, Umoja, Savana Kayole and all the way to Mwiki, Ruai, Njiru, Kariobangi South, Dandora and Mukuru (Japan Keirin Association, 2008). Within the four districts are found the following supermarkets: Eastmatt, Naivas, Nakumatt, Tuskys, Uchumi and Ukwala Supermarkets, among others.

3.3.3 Sampling Size

A sample size is a small proportion of units in a population that represents the whole (Saunders *et al.*, 2009). Generally, larger sample sizes are considered more representative of a study population than smaller samples (Gravetter & Forzano, 2011). In this study, the sample size was determined using Gill and Johnson's (2010) formula below:

$$n = \frac{P(100-P)Z^2}{E^2}$$

Where:

N is the sample size required

P is the percentage occurrence of a state or condition

E is the percentage maximum error required. For the purposes of this study, a 5% margin of error was accepted.

Z is the z value corresponding to level of confidence required, representing the degree to which we can be sure the characteristics of the population have been accurately estimated by the sample survey. In most researches, the typical levels of confidence used are 95 percent (equal to a z value of 1.96).

In the formula, the variance of a proportion is represented by P (100-P), where: P is the percentage of a sample having a characteristic. Gill and Johnson (2010) suggest that researchers should use 50% as an estimate of P, as this will result in the maximization of variance and produce the maximum sample size.

Therefore,

$$n = \frac{50(100-50)1.96^2}{5^2}$$

$$= 384$$

Therefore, 384 consumers were included in the sample. Table 3.1 shows the distribution of the sample.

Table 3.1 Sample Size Distribution

District	Population (Number of Consumers)	Sample size Distribution	Percent
Nairobi West	212,295	83	21.6%
Nairobi East	369,866	144	37.5%
Nairobi North	327,428	128	33.2%
Westlands	75,427	29	7.7%
Total	985,016	384	100.0

Source: Author (2015)

Denscombe (2007) advises that in a study such as this, it is important to anticipate the likely response rate and factor this information into the decision on the numbers who will be contacted to participate in the research. Denscombe recommends that in order to realize the desired number of participants in a survey, the researcher should distribute a large number based on the anticipated response rate. Since the instrument was administered through a face-to-face survey which, according to Bethlehem and Biffignandi (2011) yields a considerably high response rates compared to other modes of

data collection, a high response rate over 90 percent was anticipated. Therefore, as suggested by Denscombe (2007), in order to achieve the desired 384 responses, provision for an extra 38 participants that make up 10% of the desired number of responses was made.

3.4 Data Collection Methods

Primary data was collected. The data was collected using a structured questionnaire. The questionnaire was structured using measurement variables such as nominal, ordinal, interval and ratio scales which are the most widely used classification of measurement (Denscombe, 2007). The questions were constructed using Likert's 5 Point Scale. This aimed to measure the extent of a respondent's agreement with each item on a five-point scale such as, strongly agree, agree, neutral, disagree and strongly disagree; with the items assigned values from 1 through to 5 in that order. The questionnaire comprised of four sections. The first section is about respondent's general information such as age, gender, education, income, place of residence, loyalty card holding and favourite supermarket brand. The second section was made up of questions addressing the aspect of knowledge of loyalty program features and benefits as well as adoption patterns. The third section comprise of questions regarding the effect of loyalty programs on their patronage behaviour. The fourth section comprised statements related to perceived value of loyalty card programs. The fifth section was about the mediating role of service quality and convenience of the supermarket.

3.5 Research Procedures

The research commenced with a pilot-test of the research instrument on a small sample of 10 respondents. According to Stangor (2010, p. 100), "pilot testing involves trying out a questionnaire on a small group of individuals to get an idea of how they react to it before the final version is created". This is to enable the researcher to fine tune the questionnaire for objectivity and efficiency of the process. The instrument was also tested for its reliability. Reliability is the ability of the questionnaire to consistently measure the topic under study at different times and across different populations (Hinton, 2004). According to Hinton (2004), Cronbach's Alpha, also called the alpha coefficient of reliability (Cohen *et al.* 2007) is the most popular method of examining reliability. Cronbach's alpha ranges from 0 for a completely unreliable test to 1 for a completely

reliable test (Hinton, 2004). Most statisticians recommend a Cronbach's Alpha of 0.7 or higher (Kent, 2001; Leech *et al.*, 2005). In this study, Cronbach's Alpha was 0.784, suggesting that the instrument was reliable.

3.6 Ethical Considerations

According to Saunders *et al.* (2009), researchers should maintain conduct of integrity at all times and embracing high standards of behaviour including qualities such as honesty and truthfulness. Therefore, the researcher ensured that all participants were fully aware of the nature of the research and fully informed as to the intended purpose of the research so that they may give informed consent. Respondents were assured of anonymity and confidentiality of their participation in the study through non-disclosure of their identity.

3.7 Data Analysis Methods

Data analysis is the process of sifting through data and piecing together numerical evidence about the social world (Marsh and Elliott, 2009). In this study, descriptive statistical techniques such as mean, standard deviations and percentage frequencies were established. Inferences were drawn using Chi-square test as well as hierarchical regression techniques through the Statistical Package for the Social Sciences (SPSS). According to Gliner and Morgan (2000), hierarchical regression is a multiple regression technique whereby variables are entered in steps and the change in R^2 is examined at each step but the order is determined ahead of time by the investigator based on a careful conceptualization of the problem. This allows the researcher to control for or eliminate the effects of a particular variable by entering that variable into the equation first (Gliner and Morgan, 2000). In this study, the effects of variables such as income, gender, age, product/service quality and location on customer patronage of supermarkets was controlled for using this procedure.

The following basic assumptions were tested prior to running the regression analysis: normal distribution, linearity of relationships and homoscedacity (Chartejee & Hadi, 2013). Normality of the dataset was tested using Shapiro Wilk test in SPSS and little skew was found. Linearity of relationships was determined by examining the scatter-plot of the dependent variables (Y) and the independent variables ($X_{1...n}$) and the results showed that this assumption was met. Tests for homoscedacity similarly revealed that the pattern of residuals had about the same spread on either size.

CHAPTER FOUR

4. RESULTS AND FINDINGS

4.1 Introduction

The study sought to investigate the effect of loyalty programs on customer patronage of supermarkets in Kenya. This chapter presents the results and findings. All 384 questionnaires were successfully administered, yielding 100 percent response rate. The first section analyzes the demographic variables. The second section presents findings on knowledge of loyalty program features and benefits offered by supermarkets and adoption patterns. The third section analyzes the effect of loyalty programs on consumer patronage. The last section presents the analysis of the mediating role of supermarket's service quality on loyalty program effects.

4.2 Consumer Demographic Data

In this section, the findings on respondents' gender, age, household income, residence, shopping role and attitude towards shopping is presented.

4.2.1 Gender of Respondents

Distribution of respondents by gender is shown in table 4.1. The table shows that male respondents accounted for 58% of the sample whereas female respondents were 42%.

Table 4.1 Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	223	58.0
Female	161	42.0
Total	384	100.0

Source: The Survey Data

4.2.2 Age of Respondents

Respondents were asked to indicate their age group. Table 4.2 shows that 25.3% of the respondents were in the age range of 18-29 years, 36.9% of the respondents were aged

30-39 years, 34.0% of the respondents were 40-49 years whereas 3.8% of the respondents were in the age range of 50 years and above. Therefore, majority of the respondents were below 40 years of age.

Table 4.2 Distribution of Respondents by Age

Age group	Frequency	Percent
18-29	97	25.3
30-39	143	36.9
40-49	130	34.0
50 plus	14	3.8
Total	384	100.0

Source: The Survey Data

4.2.3 Household Income

Respondents were asked to indicate their approximate household income per month. Figure 4.1 shows that 48.7% of the respondents earned less than Ksh.50,000 per month; 44.5% of the respondents had a household income in the range of between Ksh.50,000-100,000 while 6.8% of the respondents earned an income range exceeding Ksh.100,000.

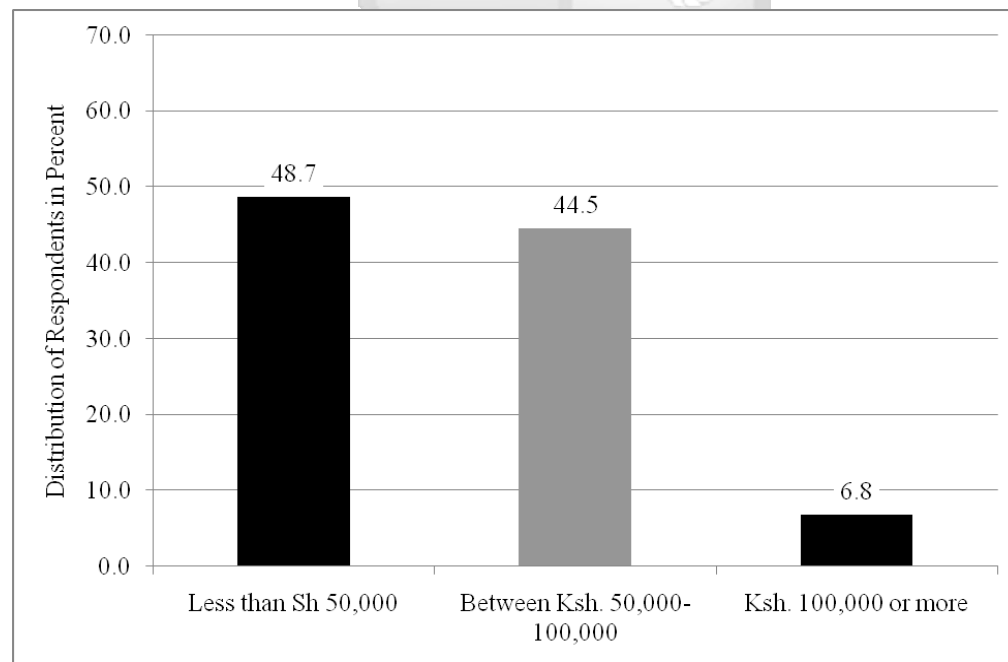


Figure 4.1 Approximate Household Income per Month

4.2.4 Place of Residence

The study sought to determine the division from which respondents hailed. Table 4.3 shows that 21.6% of the respondents were from Nairobi West, 37.6% of the respondents resided in Nairobi East, 33.2% of the respondents were residents of Nairobi North while 7.7% of the respondents hailed from Westlands.

Table 4.3 Respondents' Area of Residence

District	Frequency	Percent
Nairobi West	83	21.6%
Nairobi East	144	37.5%
Nairobi North	128	33.2%
Westlands	29	7.7%
Total	384	100.0%

Source: The Survey Data

4.2.5 Household's Shopping Responsibility

The question sought to determine who goes shopping mostly in the household. Figure 4.2 shows that 38.9% of the respondents indicated that shopping was the responsibility of the lady in the house, 35.3% of the respondents indicated that it was the man of the house who did shopping whereas 25.8% of the respondents usually did shopping together.



Figure 4.2 Household's Shopping Responsibility

4.2.6 Attitude towards Shopping

The views of respondents were sought on how they felt about the idea of shopping. Figure 4.2 shows that 98.9% of the respondents perceived the idea of shopping as a task they would want to accomplish with minimum input of time and effort whereas only 1.1% of the respondents felt it was an enjoyable leisure activity which they would go on doing.

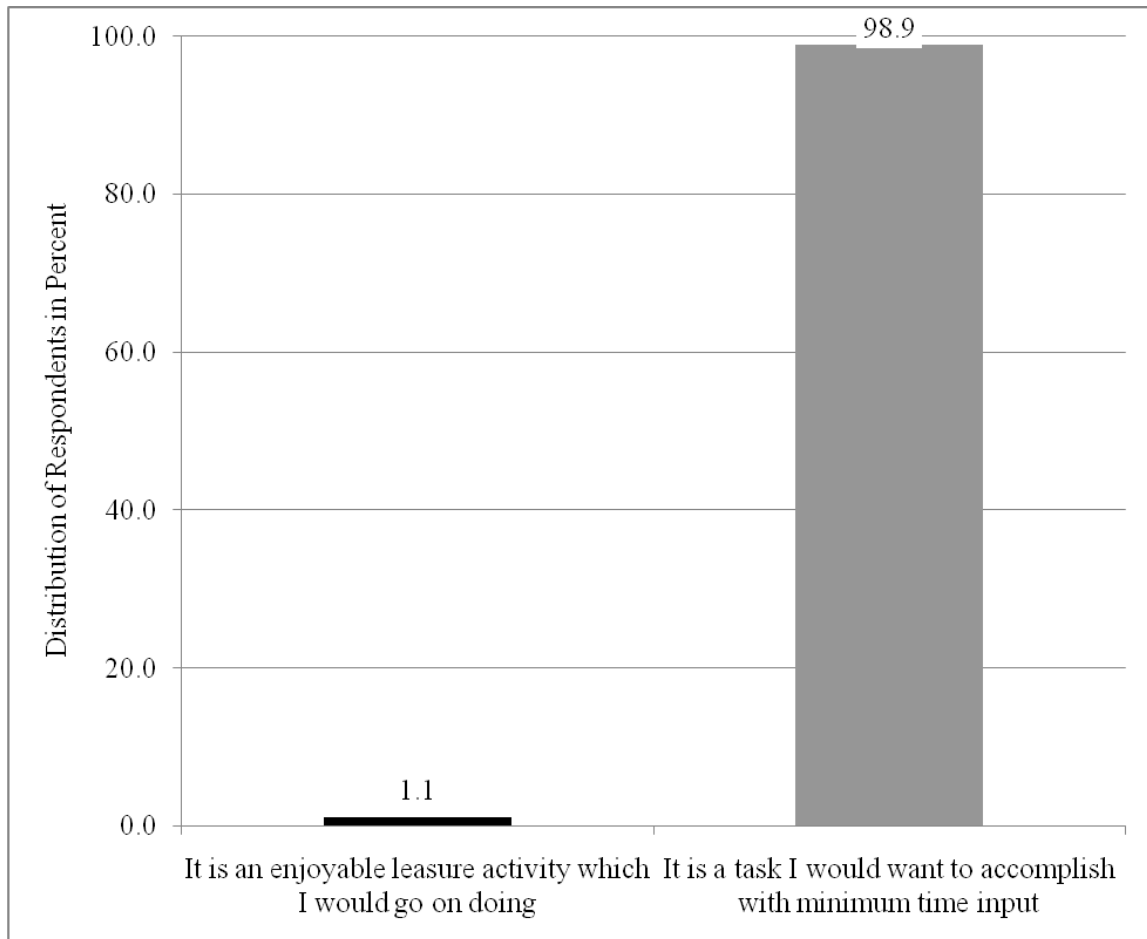


Figure 4.3 Respondents' Attitude towards Shopping

4.3 Knowledge of Loyalty Program Features Benefits and Adoption Patterns

This section of the chapter presents respondents knowledge and loyalty card adoption such as the number of different loyalty cards possessed, the supermarkets the cards belonged to, motivation to acquire loyalty card, card loyalty, supermarket loyalty, loyalty card benefits, awareness of minimum points, awareness of requirements for points redemption, loyalty card redemption, accumulation of loyalty points, satisfaction with loyalty program and importance of loyalty card to shopping experience.

4.3.1 Number of Loyalty Cards

The distribution of respondents by the number of supermarket loyalty cards they possessed is shown in figure 4.4. The figure shows that 65.6% of the respondents had one card, 31.8% of the respondents possessed two cards while 2.6% owned three different cards.

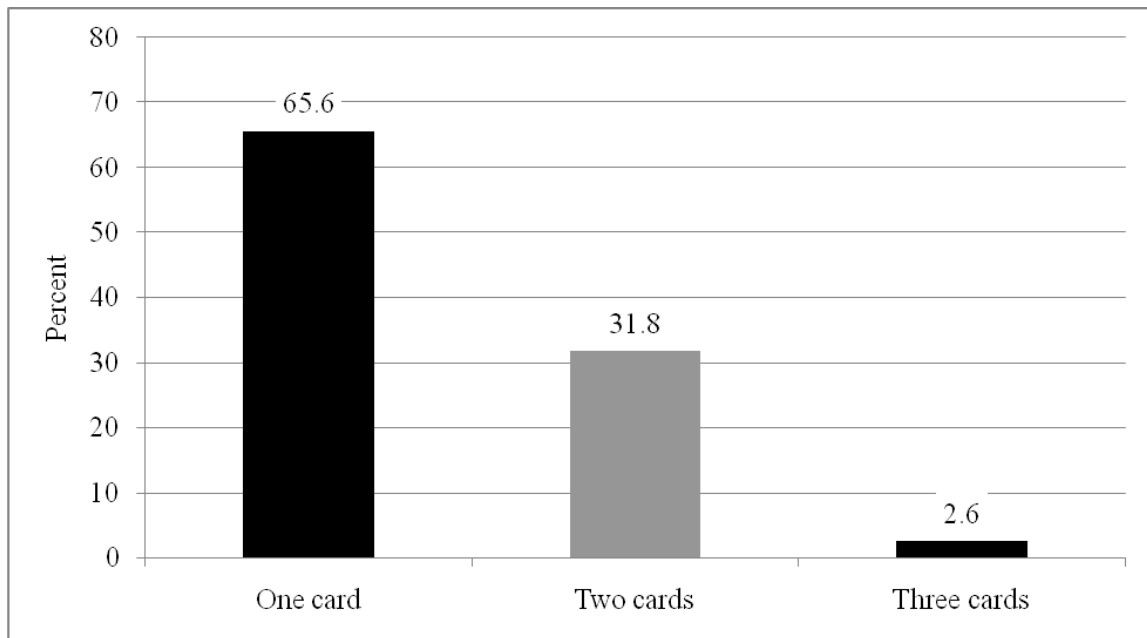


Figure 4.4 Number of Different Loyalty Cards Possessed

4.3.2 Distribution of Loyalty Cards by Supermarket

The study sought to establish the supermarkets that the loyalty cards belonged to. Figure 4.5 shows that 22.4% of the respondents possessed card for Tusky's, 22.1% of the cards were for Uchumi, 17.5% of the cards belonged to Eastmatt and 13.5% of the cards were for Naivas and 11.8% of the cards were Nakumatt's. Eight percent (8.0%) of the cards were from other supermarkets whereas Nakumatt cards whereas the cards that belonged to Ukwala supermarket were the least at 4.8%.

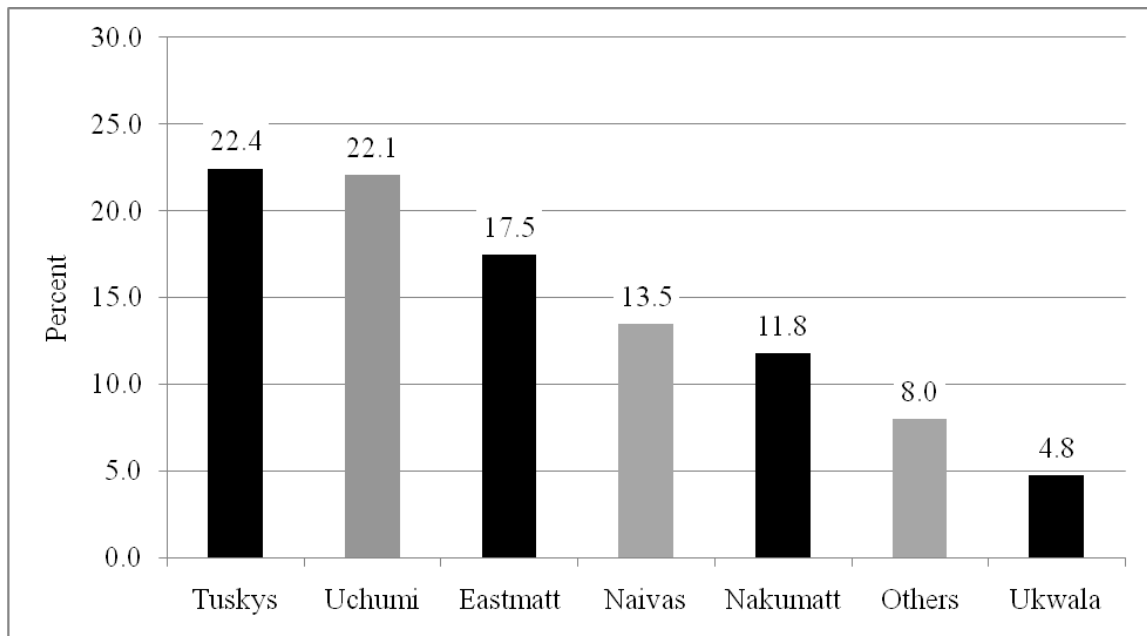


Figure 4.5 Distribution of Loyalty Cards by Supermarkets

4.3.3 Motivation to Acquire Loyalty Card

Respondents were asked to indicate the one thing that motivated them to acquire the supermarket's loyalty card. Figure 4.6 shows that 47.3% obtained the card to earn bonus rewards, 38.7% were motivated by savings on discounts and 14% wanted special treatment and better service.

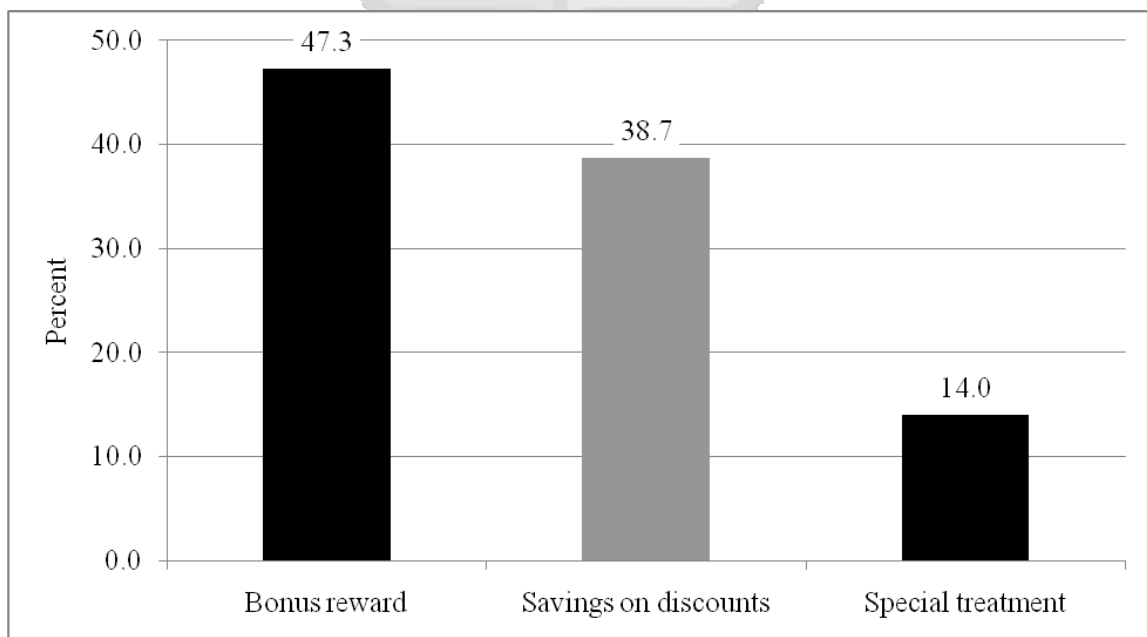


Figure 4.6 Motivation to Acquire Loyalty Card

4.3.4 Loyalty Card Preference

The study sought to establish whether respondents were attached to any particular loyalty card. Table 4.4 shows that 89.8% of the respondents were not attached to a particular loyalty card whereas 10.2% of the respondents indicated that they were attached.

Table 4.4 Attachment/Preference to A Particular Loyalty Card

Response	Frequency	Percent
Yes	39	10.2
No	345	89.8
Total	384	100.0

Source: The Survey Data

A chi-square test was run to determine whether there was any statistically significant difference between respondents who owned one supermarket's loyalty card and those who owned two or more loyalty cards from different supermarkets in terms of their attachment to a particular supermarket's loyalty card. Figure 4.7 shows the results of cross-tabulation analysis. The figure shows that majority of both categories of respondents were not attached to a particular loyalty card.

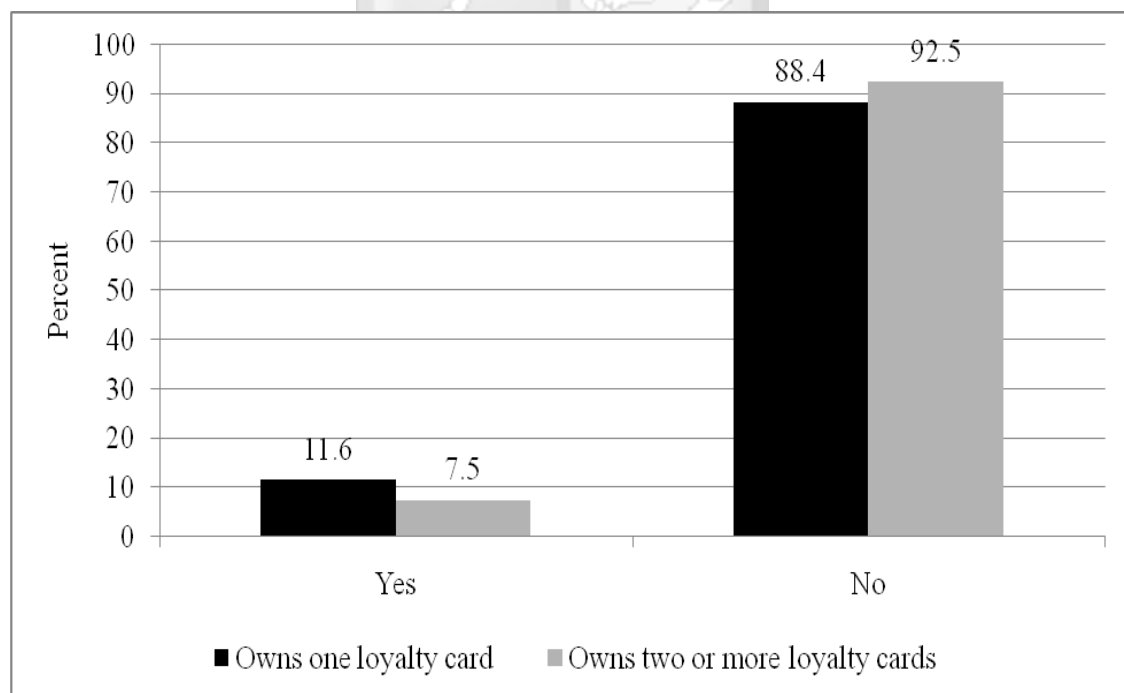


Figure 4.7 Respondents' Attachment to a Particular Supermarket's Loyalty Card

The chi-square result in table 4.5 shows that $\chi^2(1) = 1.551, p > .05$ which suggests that there was no statistically significant association between number of loyalty cards owned and attachment to a particular supermarket's loyalty card. This suggests that preference to a particular loyalty card or otherwise was not determined by the number of loyalty cards owned.

Table 4.5 Chi-square Test

	Value	Df	Exact Sig. (2-sided)	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.551 ^a	1	.287	.213
Likelihood Ratio	1.621	1		.203
Fisher's Exact Test				
Linear-by-Linear Association	1.547	1		.214
N of Valid Cases	384			

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.51.

Source: The Survey Data

Out of the 39 respondents who indicated that they were attached to a particular supermarket's loyalty card, figure 4.8 shows their distribution by supermarket brand. Fifty percent (50.0%) of the respondents were attached to Nakumatt loyalty card, 25% were attached to Uchumi's loyalty card, 16.7% of the respondents were attached to Tusky's loyalty card, 8.3% of the respondents were attached to Eastmatt's whereas no respondent was attached to Naivas' or any other supermarket for that matter.

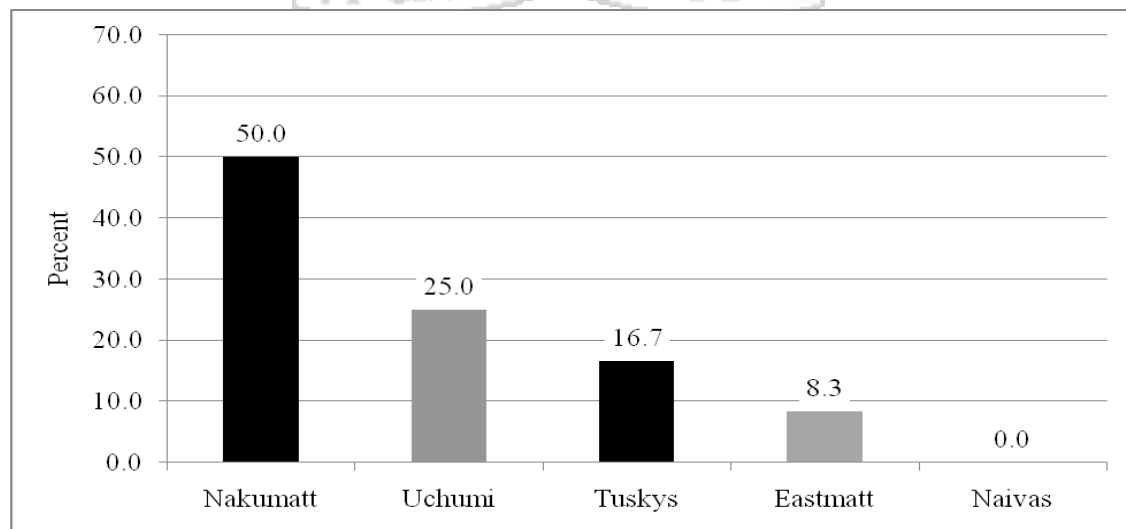


Figure 4.8 Distribution of Card Loyalty by Supermarket Brand

4.3.5 Loyalty to Supermarkets

Respondents were asked whether they had a specific supermarket where they always did their shopping irrespective of location. Table 4.6 shows that 90.1% of the respondents were not attached to any particular supermarket whereas 9.9% of the respondents were attached.

Table 4.6 Attachment to A Particular Supermarket

Response	Frequency	Percent
Yes	38	9.9
No	346	90.1
Total	384	100.0

Source: The Survey Data

Out of the respondents who indicated that they were attached to a particular market, figure 4.9 shows that 40% of the respondents shopped at Nakumatt irrespective of location, 26.7% patronized Uchumi, 16.7% were loyal to Tuskys, 10% went to Eastmatt and 6.7% frequented Naivas.

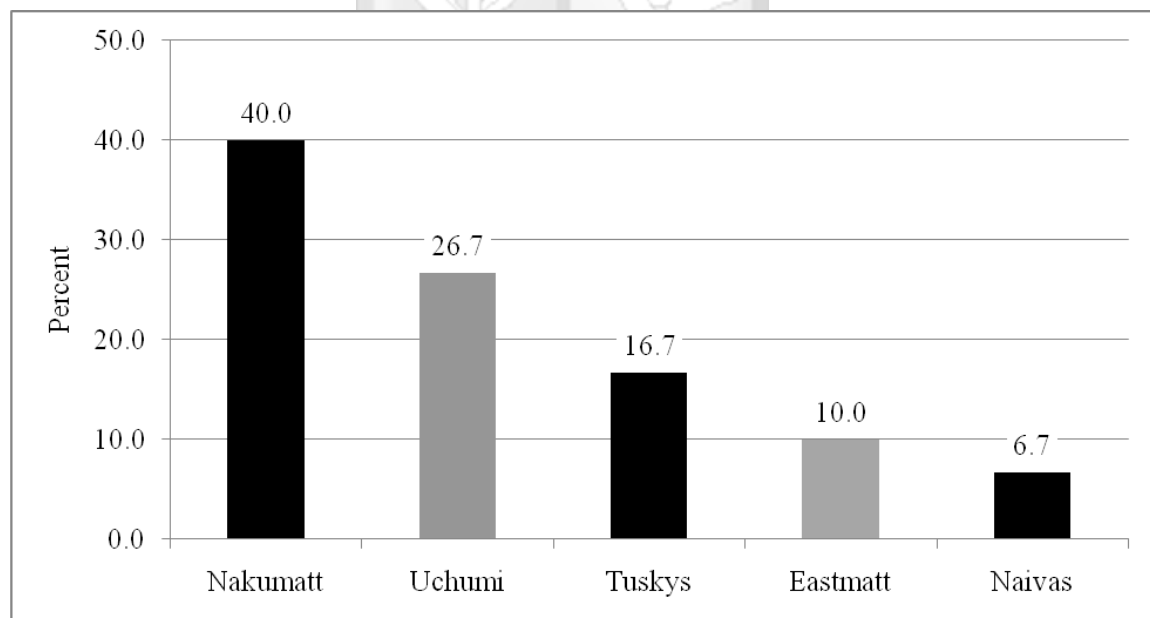


Figure 4.9 Distribution of Card Loyalty by Supermarket Brand

4.3.6 Loyalty Card Benefits

The study sought to establish the benefits offered by the supermarkets that issued respondents with the loyalty card. Figure 4.10 shows that discounts on shopping was the most common benefits offered by supermarkets as indicated by 96.6% of the respondents, followed by preferential treatment (57.0%) and free goods (38.0%). Cash back was the least common benefit as indicated by 2.3% of the respondents.

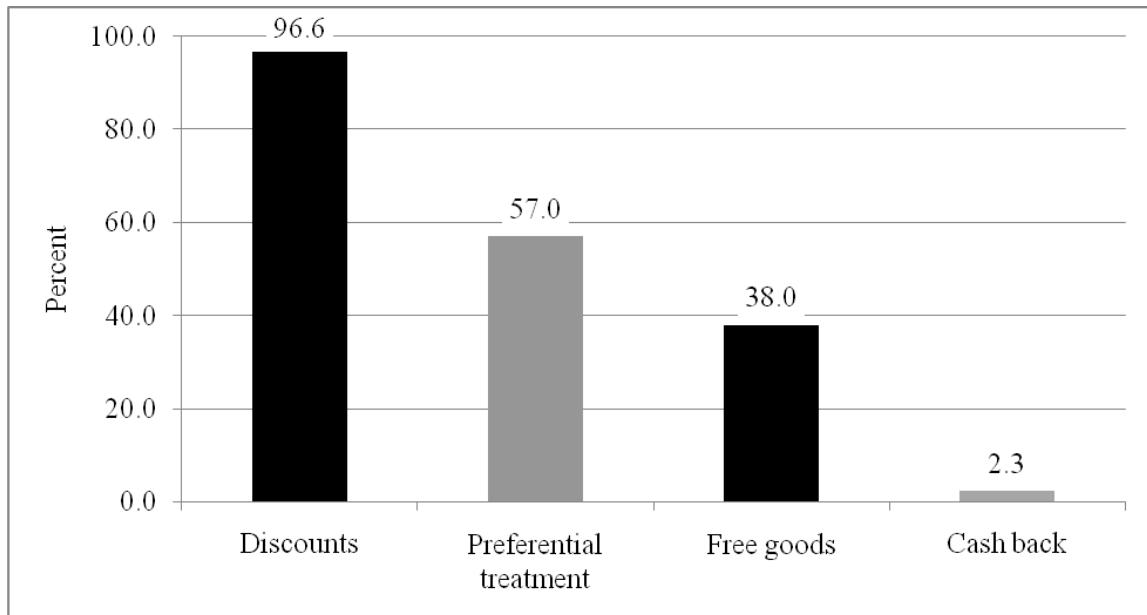


Figure 4.10 Loyalty Program Benefits offered by Supermarkets

4.3.7 Awareness of Minimum Points

The study sought to determine whether respondents were aware of the minimum number of points they needed to accumulate before they could redeem. Table 4.7 shows that 94% of the respondents indicated that they were aware and 6.0% of the respondents were not.

Table 4.7 Awareness of Minimum Points

Response	Frequency	Percent
Yes	361	94.0
No	23	6.0
Total	384	100.0

Source: The Survey Data

4.3.8 Awareness of Requirements

Respondents were also asked whether they knew the requirements and documents needed for them to redeem loyalty points. Table 4.8 shows that 97.6% of the respondents were aware of the requirements. These respondents mentioned loyalty card, points, identification card and phone as the required documents and information. However, 2.4% of the respondents were not aware of the requirements.

Table 4.8 Awareness of Requirements

Response	Frequency	Percent
Yes	375	97.6
No	9	2.4
Total	384	100.0

Source: The Survey Data

4.3.9 Redemption of Points

Respondents were asked whether they have ever redeemed their loyalty points since they acquired their loyalty card. Table 4.9 shows that 80.9% of the respondents have redeemed their points since obtaining card whereas 19.1% have never redeemed.

Table 4.9 Ever Redeemed Points

Response	Frequency	Percent
Yes	311	80.9
No	74	19.1
Total	384	100.0

Source: The Survey Data

Out of the respondents who have ever redeemed points, figure 4.11 shows that 47.5% of the respondents have redeemed their points only once, 41.0% of the respondents have redeemed twice, 10.5% have redeemed three times and 1% have redeemed at least 4 times.

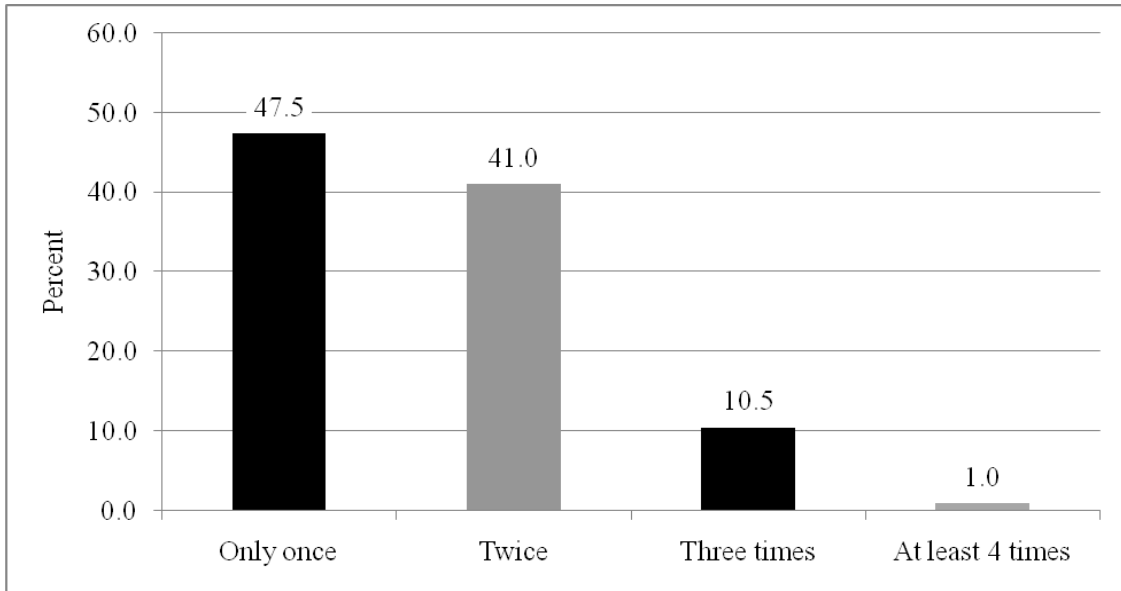


Figure 4.11 Number of Points Redemption

4.3.10 Last Date of Redemption

The study sought to establish when the respondents last redeemed their loyalty points. Figure 4.12 shows that 51.0% of the respondents redeemed their points a year ago, 39.3% of the respondents redeemed several months ago and 4.7% made their redemption a month ago. However, 2.3% of the respondents indicated that they redeemed their points many years ago while 1.7% of the respondents do not remember when they last redeemed their points. Lastly, 1% of the respondents redeemed their points a week ago.

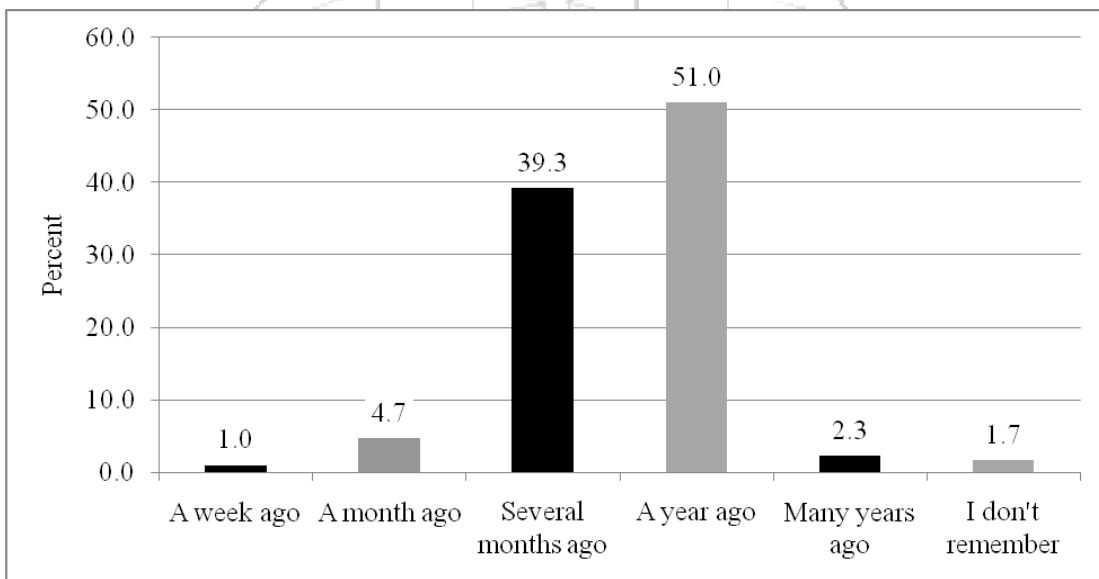


Figure 4.12 Last Date of Points Redemption

4.3.11 Accumulation of Points

Respondents were asked how long it took them to accumulate their loyalty points before they could benefit from the loyalty program. Figure 4.13 shows that 47.0% of the respondents indicated that it took them at least a year to accumulate points while 40.6% of the respondents do not remember. However, 11.4% of the respondents indicated that it took them several months while 1.0% of the respondents said it took them just a few months before they could redeem points.

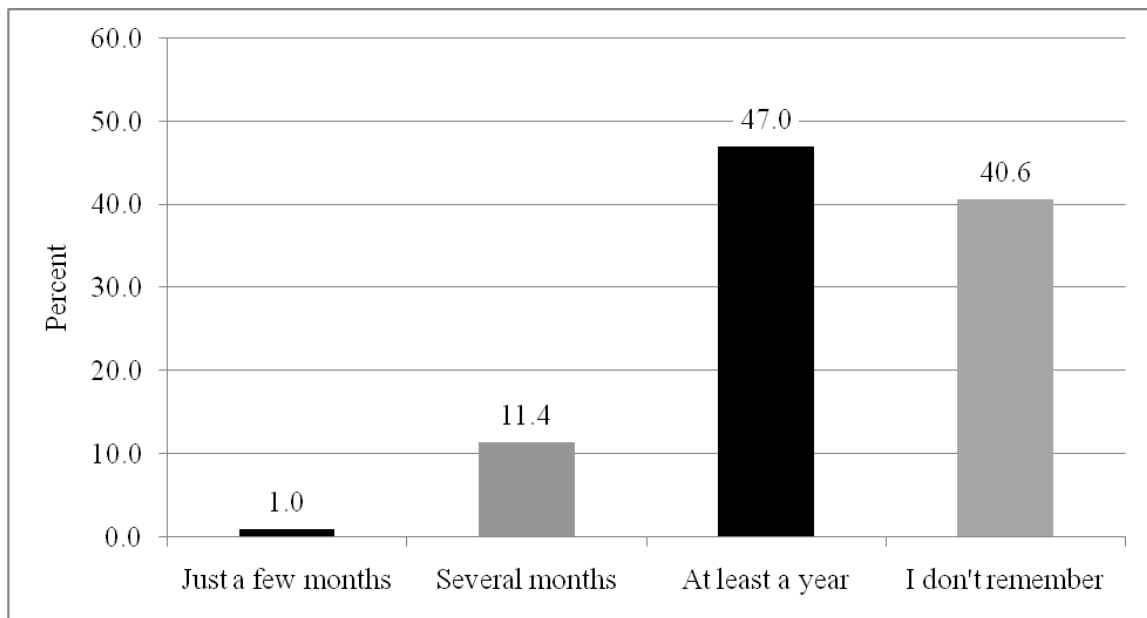


Figure 4.13 Duration of Time before Qualifying for Points Redemption

4.3.12 Satisfaction with Overall Experience

Respondents were asked to rate their overall experience redeeming the loyalty points. Figure 4.14 shows that 78.5% of the respondents were satisfied and 20.9% of the respondents were very satisfied. However, 0.6% of the respondents indicated that they were dissatisfied.

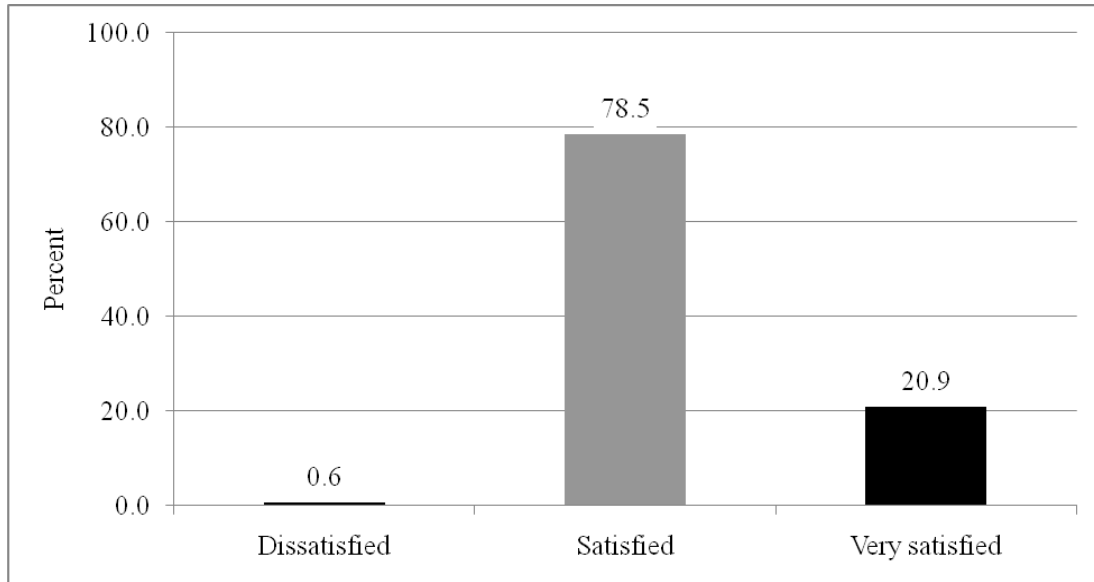


Figure 4.14 Overall Satisfaction with Loyalty Program

4.3.13 Importance of Loyalty Card

The study sought to establish how important the loyalty card was to respondents' shopping experience. Figure 4.15 shows that the program was somehow important 63.3% of the respondents and 36.5% of the respondents indicated that the loyalty program was very important. However, 0.3% of the respondents felt that the loyalty card program was not important.

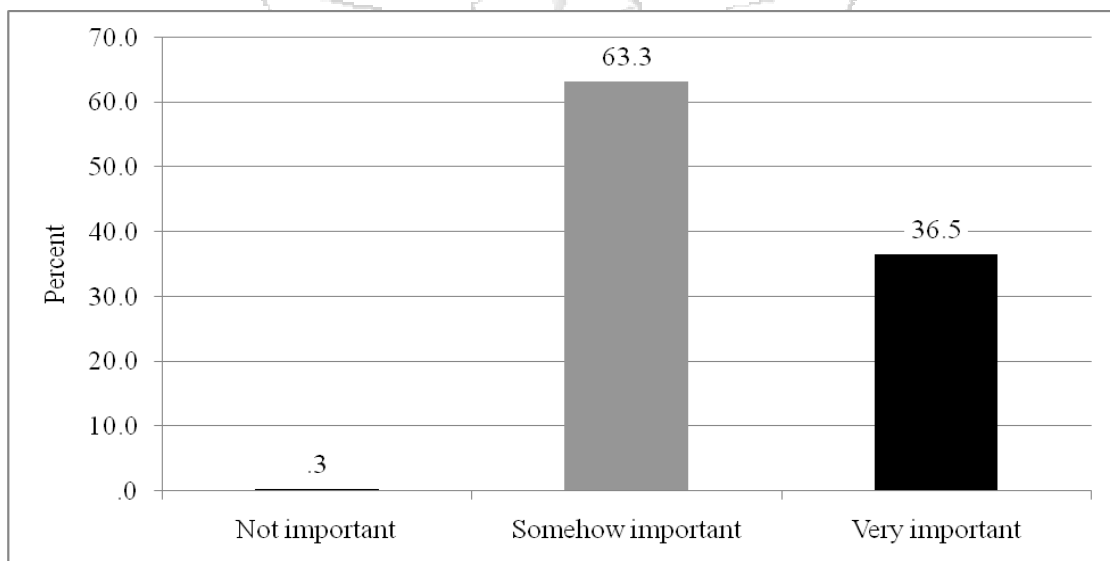


Figure 4.15 Importance of Loyalty Program to Shopping Experience

4.4 Effect of Loyalty Programs on Patronage of Supermarkets

In this section, the variables analyzed include frequency of patronage, shopper spending and attitudes towards features and benefits of loyalty program.

4.4.1 Effect of Loyalty Card on Frequency of Shopping

The study sought to establish how frequent respondents shopped at the supermarket where they had a loyalty card. Figure 4.16 shows that 57.9% of the respondents indicated that they often shopped at the supermarket where they held loyalty card while 24.2% of the respondents indicated that they did so very often. However, 17.9% of the respondents occasionally shopped at the supermarket where they were issued with loyalty card.

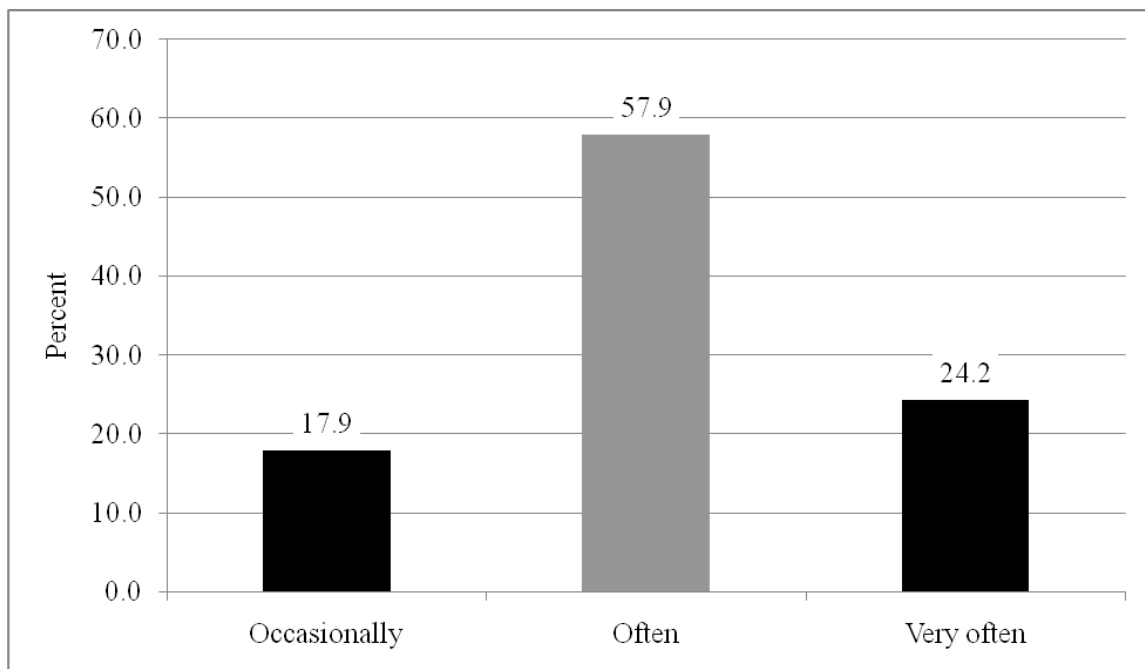


Figure 4.16 Frequency of shopping in the store which issued card

4.4.2 Effect of Loyalty Card on Consumer Spending

The study sought to determine whether generally, respondents spent more while shopping at the supermarket in which they held loyalty card than any other supermarket. Table 4.10 shows that 56.8% of the respondents indicated that they did not while 43.2% of the respondents did.

Table 4.10 Effect of Loyalty card Program on Consumer Spending

		Frequency	Percent
Generally, do you spend more while shopping at the supermarket in which you hold a loyalty card than any other supermarket?	Yes	166	43.2
	No	219	56.8
	Total	384	100.0

Source: The Survey Data

4.4.3 Effect of Shopper Attitude towards Loyalty Card on Patronage

The effect of shopper attitude towards loyalty card on patronage of supermarkets is shown in the mean scores and percentage distribution of respondents' views as shown in table 4.11. The table shows that 64.6% and 32.0% of the respondents agreed and strongly agreed, respectively, that they were more likely to shop at the supermarket in which they had a loyalty card; with only 3.4% of the respondents being neutral. The high mean score of 4.29 on a scale of 1 to 5 suggests that respondents were potentially more likely to shop in the supermarkets whose loyalty card they possessed. However, in terms of Positive Word Of Mouth, only 20.1% and 14.1% of the respondents agreed and strongly agreed, respectively, that they have recommended to their friends to shop at the supermarket where respondents patronized. In contrast, 24.8% of the respondents were neutral whereas 38.1% of the respondents disagreed and 2.9% of the respondents strongly disagreed. This is also reflected in the low mean score of 2.96 on a 5 point scale.

In terms of effect of loyalty program on consumer behavior, table 4.11 shows that 62.2% of the respondents were neutral to the statement that their shopping behavior has changed since owning a loyalty card. Even so, 16.4% of the respondents agreed and 2.1% of the respondents strongly agreed while 16.1% and 3.1% of the respondents disagreed and strongly disagreed, respectively. The mean score established was 2.98, suggesting that respondents' shopping behavior did not change after acquiring loyalty card.

In terms of perceptions and attitudes towards supermarkets' loyalty programs, 47.3% and 15.4% of the respondents disagreed and strongly disagreed, respectively, that the rewards of a loyalty program were worth the effort. However, 33.9% of the respondents were neutral whereas only 3.4% of the respondents agreed. A mean score of 2.25 on a scale of

1 to 5 was established; meaning that majority of the respondents perceived that rewards of a loyalty program were not worth the effort. The table also shows that 55.2% of the respondents disagreed that the loyalty program benefits were valuable and a further 27.9% of the respondents strongly disagreed. Fourteen point six percent (14.6%) of the respondents were neutral whereas 1.8% and 0.5% of the respondents agreed and strongly agreed, respectively. A very low mean score of 1.92 on a scale of 1 to 5 was computed, implying that respondents disagreed with the view that loyalty program benefits were highly valuable.

Further results in table 4.11 shows that 47.9% and 2.1% of the respondents agreed and strongly agreed, respectively, that they could always earn the loyalty program rewards within reasonable time period. However, 42.2% of the respondents were neutral while 7.8% of the respondents disagreed. A mean score of 2.44 was returned, meaning that on aggregate, respondents did not perceive that they could always earn loyalty program rewards within a reasonable time period. However, 68.1% and 18.8% of the respondents agreed and strongly agreed, respectively, that they could choose from a variety of rewards that suited them; 11.8% of the respondents were neutral whereas 0.8% and 0.5% of the respondents disagreed and strongly disagreed, respectively. A high mean score of 4.04 on a scale of 1 to 5 indicated that generally, respondents could choose from a variety of rewards that suited them.

Fifty three percent (53.0%) of the respondents agreed that the loyalty cards were easy and simple to use and a further 40.7% of the respondents strongly agreed. However, 4.4% of the respondents were neutral; 1.3% of the respondents disagreed and 0.5% of the respondents strongly disagreed. The mean score established was 4.32 on a 5-point scale, suggesting that respondents perceived that the loyalty cards were easy and simple to use. Table 4.11 also shows that 67.7% of the respondents strongly agreed and 28.9% of the respondents also agreed that it was easy to track their loyalty points; 2.9% of the respondents were neutral and 0.5% of the respondents disagreed. The highest mean score of 4.64 was returned; implying that majority of the respondents perceived that it was easy to track their loyalty points.

Table 4.11 Perceptions and Attitude towards Loyalty Programs

	Mean	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I am more likely to shop at the supermarket in which I have a loyalty card	4.29	0.0%	0.0%	3.4%	64.6%	32.0%
I have recommended to my friends to shop at the supermarket where I usually shop	2.96	2.9%	38.1%	24.8%	20.1%	14.1%
Generally, my shopping behaviour has changed since owning a loyalty card	2.98	3.1%	16.1%	62.2%	16.4%	2.1%
The rewards of a loyalty program are worth the effort	2.25	15.4%	47.3%	33.9%	3.4%	0.0%
Loyalty program benefits are highly valuable	1.92	27.9%	55.2%	14.6%	1.8%	0.5%
I can choose from a variety of rewards that suits me	4.04	0.5%	0.8%	11.8%	68.1%	18.8%
I can always earn the loyalty program rewards within a reasonable time period	2.44	0.0%	7.8%	42.2%	47.9%	2.1%
The loyalty cards are easy and simple to use	4.32	0.5%	1.3%	4.4%	53.0%	40.7%
Owning a loyalty card makes me feel more special	3.70	0.0%	0.8%	38.0%	51.3%	9.9%
I am always willing to spend more whenever I visit the supermarket where I have a loyalty card	2.58	1.8%	45.1%	48.2%	3.6%	1.3%
It is easy to track my loyalty points	4.64	0.0%	0.5%	2.9%	28.9%	67.7%

Source: The Survey Data

Table 4.11 also shows that 51.3% and 9.9% of the respondents agreed and strongly agreed that owning a loyalty card made them feel more special. Thirty eight percent (38.0%) of the respondents were neutral whereas 0.8% of the respondents disagreed. A relatively high mean score of 3.70 was computed; implying that majority of the respondents perceived that owning a loyalty card made them feel more special.

Table 4.11 however shows that 3.6% and 1.3% of the respondents agreed and strongly agreed, respectively, that they were always willing to spend more whenever they visited the supermarket where a loyalty card. However, 48.2% of the respondents were neutral; 45.1% of the respondents disagreed and a further 1.8% of the respondents strongly disagreed. A low mean score of 2.58 on a scale of 1 to 5 was computed, meaning that respondents did not agree that they were willing to spend more whenever they visited the supermarket where they had a loyalty card.

4.5 The Mediating Role of Supermarkets' Service Quality

In this section, analysis of the level of satisfaction with various dimensions of service quality of the supermarket issuing the loyalty card is presented.

4.5.1 Level of Satisfaction with Service Quality

Table 4.12 shows the results. The table shows that 36.2% and 29.4% of the respondents were satisfied and very satisfied, respectively, with product and service quality offered by the supermarkets issuing loyalty card. Thirty four percent (34.1%) of the respondents were neither satisfied nor dissatisfied and 0.3% of the respondents were dissatisfied. On a scale of 1 to 5, the mean score of level of satisfaction was 3.95, suggesting that respondents were on aggregate satisfied with product/service quality of the supermarkets whose loyalty card they possessed.

Table 4.12 however shows that 68.5% of the respondents were neutral concerning their level of satisfaction with staff knowledge; 28.4% of the respondents were satisfied and 2.3% of the respondents were very satisfied whereas 0.8% of the respondents were dissatisfied. A mean score of 3.32 was established, implying that respondents were neither satisfied nor dissatisfied with staff knowledge. Concerning accessibility, 44.5%

and 40.8% of the respondents were satisfied and very satisfied, respectively, with accessibility of the supermarket store where they held loyalty card with some 14.7% being neither satisfied nor dissatisfied. No respondent was dissatisfied with store accessibility. A high mean score of 4.26 on a 5 point scale was established, implying that respondents were generally satisfied with store accessibility.

In terms of speed of service, 41.9% and 45.5% of the respondents were satisfied and very satisfied, respectively, with speed of service at the supermarket where they held loyalty card. However, 12.3% of the respondents were neither satisfied nor dissatisfied whereas 0.3% of the respondents were dissatisfied with speed of service. A high mean score of 4.33 was computed, which means that respondents were generally satisfied with speed of service offered by the supermarket chain.

With respect to supermarket staff, 68.2% of the respondents were neither satisfied nor dissatisfied with staff courtesy/friendliness and concern for customers; 29.2% and 1.8% of the respondents were satisfied and very satisfied respectively. However, 0.8% of the respondents were dissatisfied. A mean score of 3.32 on a scale of 1 to 5 implies that respondents were indifferent concerning the courtesy of staff of the supermarkets in whose loyalty cards they possessed. Similarly, 78.1% of the respondents were neither satisfied nor dissatisfied with product prices as also revealed by a mean score of 3.19 on a scale of 1 to 5. However, 17.4% of the respondents were satisfied and a further 2.1% were very satisfied whereas 2.3% of the respondents were dissatisfied.

Table 4.12 further shows that 68.2% and 9.4% of the respondents were satisfied and very satisfied, respectively, with the after-sales services they received from the supermarket whose loyalty card they owned; 21.9% of the respondents were neutral and 0.3% of the respondents were dissatisfied and another 0.3% of the respondents were very dissatisfied. The mean score was 3.86 which mean that respondents were on average, satisfied with after sales service. Similarly, 54.4% and 25.0% if the respondents were satisfied and very satisfied, respectively, with overall customer care they received whereas 20.6% of the respondents were neither satisfied nor dissatisfied. A high mean score of 4.04 on a 5 point scale implied that respondents were satisfied with overall customer care.

Table 4.12 Level of Satisfaction with Service Quality Dimensions

Service quality dimensions	Mean	Very dissatisfied	Dissatisfied	Neither satisfied nor dissatisfied	Satisfied	Very satisfied
Product/service quality	3.95	0.0%	0.3%	34.1%	36.2%	29.4%
Staff knowledge	3.32	0.0%	0.8%	68.5%	28.4%	2.3%
Store accessibility	4.26	0.0%	0.0%	14.7%	44.5%	40.8%
Speed of service	4.33	0.0%	0.3%	12.3%	41.9%	45.5%
Staff courtesy/ friendliness and concern for customers	3.32	0.0%	0.8%	68.2%	29.2%	1.8%
Product prices	3.19	0.0%	2.3%	78.1%	17.4%	2.1%
After sales service	3.86	0.3%	0.3%	21.9%	68.2%	9.4%
Overall customer care	4.04	0.0%	0.0%	20.6%	54.4%	25.0%

Source: The Survey Data

4.5.2 Factors influencing Choice of Supermarket

Respondents were asked to rate the extent to which convenient location, opening hours, responsiveness of staff, easy accessibility, having everything under one roof and speed of service influenced their choice of supermarket where they always did their shopping. Table 4.13 shows the results. The table shows that convenient location influenced choice of supermarket of 46.6% of the respondents to a large extent and 47.9% of the respondents to a very large extent. However, 4.5% of the respondents indicated that convenient location influenced their choice of supermarket to a small extent; 0.8% said it did so to a very small extent and 0.3% of the respondents said convenient location had no influence on their supermarket choice. On a scale of 1 to 5, a high mean score of 4.41 was obtained, suggesting that convenient location influenced their choice to a large extent.

Table 4.13 shows that in terms of operating hours, 15.4% and 18.3% of the respondents were influenced by opening and closing hours to a large and very large extent; respectively. However, 19.4% of the respondents were influenced by operating hours to a small extent, 27.5% of the respondents were influenced to a very small extent whereas 19.4% indicated that opening and closing hours had no effect on their choice of

supermarket. A mean score of 2.86 was established, suggesting that operating hours influenced respondents' choice of supermarket to a small extent.

Table 4.13 further shows that 63.5% and 26.8% of the respondents indicated that their choice of supermarket was influenced by responsiveness of staff to a large and very large extent, respectively. However, 9.7% of the respondents indicated that staff responsiveness influenced their choice of supermarket to a small extent. This had a mean score of 4.17 on a 5-point scale, suggesting that staff responsiveness influenced their choice of supermarket to a large extent.

In terms of accessibility, table 4.13 shows that 38.0% of the respondents indicated that easy accessibility influenced their choice of supermarket to a small extent, 23.8% of the respondents said it did influence their choice to a very small extent while 19.1% of the respondents indicated that easy accessibility did not influence their choice of supermarket at all. On a scale of 1 to 5, a mean score of 2.61 was computed, which suggests that respondents were generally influenced by easy accessibility to a small extent.

Table 4.13 further shows that 59.6% and 38.6% of the respondents indicated that their choice of supermarket was influenced by availability of everything under one roof to a large and very large extent, respectively. However, 1.6% of the respondents indicated that their choice of supermarket was influenced by everything under one roof to a small extent and 0.3% of the respondents indicated that they were influenced by everything under one roof to a small extent. On a 5-point scale, the mean score was 4.36; implying that respondents' choice of supermarket where they always did their shopping was influenced by availability of everything under one roof to a very large extent.

Table 4.13 similarly shows that 54.7% and 41.4% of the respondents were influenced by speed of service to a large and very large extent, respectively. However, 3.7% of the respondents indicated that speed of service influenced their choice of supermarket to a small extent and 0.3% of the respondents indicated that speed of service was influential to their choices to a very small extent. The mean score for speed of service was 4.37 out of 5, which means that speed of service was influential to respondents to a large extent.

Table 4.13 Factors Influencing Choice of Supermarket

Factor	Mean	Very large extent	Large extent	Small extent	Very small extent	No influence
Convenient location	4.41	47.9%	46.6%	4.5%	0.8%	0.3%
Opening and closing hours	2.86	18.3%	15.4%	19.4%	27.5%	19.4%
Responsiveness of staff	4.17	26.8%	63.5%	9.7%	0.0%	0.0%
Easy accessibility	2.61	3.7%	15.4%	38.0%	23.8%	19.1%
Everything under one roof	4.36	38.6%	59.6%	1.6%	0.3%	0.0%
Speed of service	4.37	41.4%	54.7%	3.7%	0.3%	0.0%

Source: The Survey Data

4.5.3 Predictors of Supermarket Patronage

A hierarchical regression analysis was performed to determine the prediction power of loyalty program on customer patronage of supermarkets after controlling for customer demographics as well as service quality and convenient location. The results are shown in tables 4.14 to 4.16. Table 4.14 shows that after accounting for income, gender, age, convenient location and service quality (Model 2), loyalty programs explained 5.7% of the variability in customer patronage of supermarkets (Adjusted $R^2=.122-.065$).

Table 4.14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.178 ^a	.032	.023	.640
2	.278 ^b	.078	.065	.626
3	.382 ^c	.146	.122	.607

a. Predictors: (Constant), Income, Gender, Age

b. Predictors: (Constant), Income, Gender, Age, Product/service quality, Location

c. Predictors: (Constant), Income, Gender, Age, Product/service quality, Location, Attainability of Rewards, PEOU, Reward Variety, Perceived Prestige, Perceived Value

Source: The Survey Data

Table 4.15 shows the F -ratio which represents the ratio of the improvement in prediction that results from fitting the (regression) model relative to the (residual) inaccuracy that still exist in the model. The table shows that $F > 1$, $p < .01$ throughout, which is highly significant, suggesting that the final model improves prediction ability to customer patronage.

Table 4.15 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.812	3	1.604	3.916	.009 ^b
	Residual	147.862	361	.410		
	Total	152.674	364			
2	Regression	11.833	5	2.367	6.032	.000 ^c
	Residual	140.841	359	.392		
	Total	152.674	364			
3	Regression	22.283	10	2.228	6.050	.000 ^d
	Residual	130.391	354	.368		
	Total	152.674	364			

a. Predictors: (Constant), Income, Gender, Age

b. Predictors: (Constant), Income, Gender, Age, Product/service quality, Location

c. Predictors: (Constant), Income, Gender, Age, Product/service quality, Location, Attainability of Rewards, PEOU, Reward Variety, Perceived Prestige, Perceived Value

Source: The Survey Data

Table 4.16 shows the contribution of each predictor variable to the outcome variable. The table shows that four factors individually contribute to customer patronage to a statistically significant degree. These are in rank order: convenient location ($B=.222$, $p < .05$), perceived prestige associated with owning a loyalty card ($B=.151$, $p < .05$), perceived value of loyalty card rewards ($B=.133$, $p < .05$) and income level ($B=.129$, $p < .05$).

Table 4.16 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.723	.114		23.880	.000	
	Gender	-.001	.068	-.001	-.013	.990	.995
	Age	.043	.043	.057	1.000	.318	.827
	Income	.155	.061	.146	2.568	.011	.826
2	(Constant)	1.685	.282		5.986	.000	
	Gender	-.014	.066	-.010	-.205	.838	.993
	Age	.031	.043	.041	.733	.464	.822
	Income	.102	.061	.096	1.668	.096	.783
	Convenient Location	.212	.052	.212	4.071	.000	.949
	Service quality	.056	.042	.069	1.334	.183	.960
3	(Constant)	.548	.389		1.406	.160	
	Gender	-.013	.065	-.010	-.205	.838	.964
	Age	-.006	.042	-.008	-.137	.891	.783
	Income	.129	.060	.122	2.172	.031	.767
	Convenient location	.222	.051	.222	4.340	.000	.923
	Service quality	.012	.042	.015	.291	.771	.905
	Perceived value	.133	.046	.152	2.921	.004	.893
	Reward variety	.035	.053	.033	.650	.516	.918
	Reward attainability	.054	.041	.069	1.322	.187	.883
	Perceived ease of use	.054	.049	.056	1.102	.271	.929
	Perceived prestige	.151	.051	.153	2.968	.003	.908

a. Dependent Variable: Patronage

Source: The Survey Data

4.6 Hypothesis Testing

4.6.1 Hypothesis 1

H₁ Customer loyalty programs significantly influence patronage behaviour of supermarket customers in Kenya

H₀ Customer loyalty programs have no effect of patronage behaviour of supermarket customers in Kenya

From table 4.15 and 4.14, it is shown that loyalty programs explained 6.8% of the variability in customer patronage of supermarkets to a statistically significant degree ($p < .05$), thus the null hypothesis is rejected.

4.6.2 Hypothesis 2

H₁ Perceived value of loyalty programs mediated by program satisfaction significantly influenced customer patronage of supermarkets in Kenya

H₀ Perceived value of loyalty programs played no significant role on loyalty program effect on patronage behaviour of supermarket customers in Kenya

From table 4.15, it is shown that the coefficient of perceived value is significant ($p < .05$) and figure 4.14 shows that 78.5% of the respondents were satisfied and 20.9% of the respondents were very satisfied with their overall experience redeeming with the loyalty programs. The null hypothesis is rejected.

4.6.3 Hypothesis 3

H₁ Perceived service quality mediated loyalty program influence on consumer behavior

H₀ Perceived service quality of supermarket store had no significant effect on loyalty program influence on consumer behavior.

From table 4.15, it is shown that the coefficient of perceived service quality was not statistically significant ($p > .05$). The null hypothesis is accepted.

4.7 Chapter Summary

This chapter has shown that after accounting for income, gender, age, convenient location and service quality, loyalty programs explained 5.7% of the variability in customer patronage of supermarkets. Four factors individually contributed to customer patronage to a statistically significant degree. These were in rank order: convenient location ($B = .222$, $p < .05$), perceived prestige associated with owning a loyalty card ($B = .151$, $p < .05$), perceived value of loyalty card rewards ($B = .133$, $p < .05$) and income

level ($B=.129$, $p<.05$). Chi-square result showed that $\chi^2(1) = 1.551$, $p>.05$ which suggests that there was no statistically significant association between number of loyalty cards owned and attachment to a particular supermarket's loyalty card. Preference to a particular loyalty card or otherwise was not determined by the number of loyalty cards owned. The next chapter discusses the findings whereas conclusions and recommendations are made in chapter six.



CHAPTER FIVE

5 DISCUSSION

5.1 Effect of Loyalty Programs on Patronage of Supermarkets

Contrary to expectations, the findings showed that 65.6% of the respondents had only one supermarket loyalty card while 34.4% of the respondents possessed two or more cards. This contrasts with the findings of studies done in the UK which indicated that 78% of consumers were members of two or more loyalty programs (Berman, 2006). A highly likely reason for this disparity may be that the UK study considered all forms of loyalty cards without necessarily limiting the numbers to supermarkets' loyalty cards only. A significant finding in this study is that 89.8% of the respondents were not attached to a particular loyalty card, suggesting that owning a loyalty card did not necessarily mean preference; especially given that no statistically significant association between number of loyalty cards owned and attachment to a particular supermarket's loyalty card was obtained.

From the minority of respondents who had a particular preference, the results unsurprisingly showed that Tuskys Supermarket commanded the largest share of loyalty cards in terms of number cards at 22.4%, yet in terms of actual preference, it came third with 16.7% of the respondents indicating that they were attached to Tusky's cards. Instead, Nakumatt which ranked fifth in terms of number of loyalty cards owned by respondents at 11.8% was the most preferred brand, with 50% of the respondents indicating that they were attached to Nakumatt's loyalty card; while Uchumi Supermarket maintained second position both in terms of number of cards and preference at 22.1% and 25.0%, respectively. This is consistent with past researches which attributes the largest market shares to these two supermarkets (Neven & Reardon, 2005; Irungu & Wanjau, 2011). Clearly, both Nakumatt and Uchumi Supermarkets were the beneficiaries of loyalty programs, suggesting that respondents found more value in the two supermarkets' loyalty program offers.

An immediate question that the findings hitherto discussed raises is; why? A review of both companies' websites reveals some possible answers to this question. Uchumi Supermarket dispenses its reward program through a shopping voucher or a gift card while Nakumatt which is the leading brand offers redemption of points using the

Nakumatt Global Card which can also act as a payment card within and outside Nakumatt. Tuskys which is the third most popular in terms of loyalty card preference according to this research does not specify on its website what rewards it is offering. However, Tuskys sell its gift vouchers, meaning that gift vouchers are not part of loyalty reward programs at the supermarket, unlike Uchumi which has embedded gift vouchers in their loyalty programs through gift cards. This potentially differentiates Uchumi's loyalty program from the market. Eastmatt, whose loyalty card trails in terms of preference does not have any information on its website about its rewards program. With the exception of Nakumatt whose loyalty card can also function as a payment card outside Nakumatt through partnership with other service providers and Uchumi Supermarket that provides the option of loyalty points through a freely transferable gift card, nothing significantly differentiates the loyalty program from one supermarket to another since all the loyalty programs award 1 percent of the amount spent and provide rewards redeemable through goods and services only. The finding agrees with the results reported by Meyer-Waarden and Benavent (2006) which tested the impact of loyalty programmes on the general market structure and found that loyalty programmes do not substantially change market structures. It means the rest of the supermarkets were stuck at the first category of loyalty programs where customers are given more of a company's product/service towards point redemption, consistent with the classification by Farooqi and Rehman (2010). Perhaps a common differentiation point for both Nakumatt and Uchumi from the competition is their coalition programs with other partners as this appears to be absent in the other supermarkets.

Curiously, the results showed that even without having preference to a particularly loyalty store, majority (82.1%) of the respondents indicated that they often shopped at the supermarket where they held a loyalty card. This finding agrees with results of a study by Wijaya (2005) which found that loyalty programs do not have a significant effect on increasing customer loyalty beyond encouraging customers to repeatedly purchase; but without having emotional attachment and personal relationship to the companies. Indeed, subsequent findings showed that 90.1% of the respondents were not attached to any particular supermarket where they did their shopping irrespective of location, and only 34.2% of the respondents had recommended to their friends to shop at the supermarket where they usually patronized. This finding suggests that customer

advocacy through Positive Word of Mouth does not accrue from loyalty card programs, in contrast to the view point of Farooqi and Rehman (2010) who linked greater word-of-mouth recommendations to the potential gains of loyalty reward programs.

Subsequent findings also showed that only 4.9% of the respondents were always willing to spend more whenever they visited the supermarket where they had a loyalty card. This finding imply that shoppers are motivated by utilitarian goals of cost savings and any prospect of “losing more money” was not attractive to them. Yet 96.6% of the respondents agreed that they were more likely to shop at the supermarket in which they had a loyalty card. This contradicts findings of a study by Liu and Yang (2009) which showed that only 24% of respondents were more likely to shop at stores that had loyalty programs, suggesting that the influence of loyalty programs on intentions are perhaps context specific. However, the seemingly confusing results of this study raise two immediate questions. Firstly, does patronage necessarily translate into higher average spending per shopping trip? Secondly, are there other factors besides the loyalty program that influenced respondents’ patronage behavior? This latter question will be dealt with in the next two sections.

In terms of consumer spending, the study found that 56.8% of the respondents indicated that they did not spent more while shopping at the supermarket in which they held loyalty card than any other supermarket. This implies that owning a loyalty card does not automatically translate into card holder’s higher average spending per shopping trip. This finding, seen collectively with the preceding discussion above lends credence to the argument that loyal customers (as measured by frequency of return visits) are not necessarily profitable. The finding agrees with studies such as those done by Kumar (2008) which have found that the association between loyalty and profitability is moderate at best. It means that the business case for maintaining a loyalty program is perhaps explained by the opportunity cost of acquiring the customer a fresh, since at least, they are more likely to shop at the supermarket where they had a loyalty card. This argument is supported by past research across a variety of industries reported by Hennig-Thurau and Hansen (2013) which found that profits climb steeply when a firm increases its customer retention rate because the expense of acquiring new customers to replace defecting customers is higher than retaining existing customers.

The study found that loyalty programs explained 5.7% of the variability in the frequency of patronage of the supermarkets after accounting for income, gender, age, convenient location and service quality. This compares unfavorably to the study by Muganda *et al.* (2014) on the effect of customer loyalty schemes on competitiveness of supermarkets in Kenya which found a positive effect, explaining 24.9% variation in supermarkets competitiveness. The variance in explanatory powers between these two studies can be explained by a number of reasons. Firstly, the control variables which explained 7.8% of the variability in shopper patronage in this study were not accounted for by Muganda *et al.*'s regression model. Another methodological difference that might explain the difference is that in the study by Muganda *et al.*, questionnaires were given to customers who had just purchased goods and services from the supermarkets whereas in this study, data was collected at household level when they were not engaged in any shopping activity. Thus, there are chances that participants could have responded more favourably to the questionnaire by Muganda *et al.*, due to the shopping environment they were still in, which may have had a positive bearing on their shopping mood. A third difference may be found in the operationalization of terms. In the research by Muganda *et al.*, competitive advantage was explained by increase in market share, sales and organizational competitiveness which are subject to a myriad of influences that cannot be wholly explained by loyalty programs alone. In this study, patronage was explained by frequency of supermarket visits, preference to a particular supermarket's loyalty card and average spend per shopping trip. In addition, this study accounted for factors such as the importance respondents attached to loyalty programs and the perceived value of loyalty reward programs, supermarket's service quality, location convenience and shopper demographics such as level of income, gender and age which past literature have found to play a significant role.

5.2 Influence of Perceived Value of Loyalty Program

The study found that 80.9% of the respondents have redeemed their loyalty points, suggesting that respondents found some value in participating in supermarket's loyalty programs. However, majority of the respondents have done so only once (47.5%) or twice (41.0%) since they acquired a loyalty card for any of the supermarkets, implying either that it took them too long to accumulate loyalty points worth redeeming or they

simply relegated redemption of loyalty points out of their priority list of shopping activities. This is depicted in further findings which showed that 53.3% of the respondents indicated that a year or more had elapsed since they last redeemed their loyalty points. These results in part explain recent reports in Kenya by Herbling (2014) which revealed a huge value of unclaimed customer loyalty points indicating that card holders did not bother about their loyalty points. That nearly half (47.0%) of the respondents indicated that it took them at least a year before they could benefit from their supermarkets' loyalty program partly explains why respondents did not redeem their loyalty points frequently.

With regards to whether respondents believed that they could always earn the loyalty program rewards within a reasonable time period, a low mean score of 2.44 on a 5-point scale was obtained, meaning that on aggregate, respondents did not perceive that they could always earn loyalty program rewards within a reasonable time period. However, a significant proportion (40.6%) of the respondents also indicated that they did not remember how long it took them to accumulate points before they could redeem rewards, suggesting that it was not an activity respondents consciously engaged in. This can be interpreted to suggest that loyalty programs were not an important part of respondents' shopping experience. This contradicts Wilson's (2011) assertion that being a member of a loyalty program heightens the buyer's shopping experience. An important caveat implied in Wilson's (2011) correlation of loyalty programs to shopping experience is that effective loyalty programs recognize shoppers immediately at the point of sale and provide instant gratification to shoppers. Wilson explains that this is achieved by immediately updating customer points, allowing for immediate redemption of points, providing discounts on the spot and providing instant sweepstakes. Clearly, this appears not to be the practice among supermarkets in Kenya as the nature of the loyalty programs in most of the supermarkets discouraged instant gratification. This potentially explains the dismal outcome of loyalty programs as discussed in the foregoing section.

The study found that 47.3% of the respondents obtained supermarket loyalty card to earn bonus rewards, 38.7% were motivated by savings on discounts and 14% wanted special treatment and better service. These results suggest that majority of the respondents were motivated by the prospects of earning bonus rewards, followed by savings on discounts

and lastly, preferential treatment. Thus, economic benefits accounted for the largest proportion of motives that characterized supermarket loyalty program subscribers, consistent with Morgan, Parish and Deitz (2015) who identified economic benefits as the first category of the relational benefits framework of a typical loyalty scheme. However, in terms of perceptions and attitudes towards supermarkets' loyalty programs, 62.7% of the respondents in this study disagreed that the rewards of a loyalty program were worth the effort. Similarly, 81.3% of the respondents disagreed that the loyalty program benefits were highly valuable. These findings collectively suggest that respondents' perceived value of supermarket loyalty programs was low and potentially explains why 81.9% of the respondents indicated that their shopping behavior had not changed since owning a loyalty card. Actually, perceived value explained 13.3% of the variability in respondents' patronage behavior. The findings agree with an earlier study by Liu and Yang (2009) which reported similar findings. The findings are also consistent with those done in Malaysia by Musa and Nazri (2007) which exemplified that program perceived value was a strong driver of program satisfaction and program card loyalty.

Nevertheless, the study showed that 61.2% of the respondents agreed that owning a loyalty card made them feel more special. This is consistent with Hartnett and Keisler (2006) discourse on the psychological benefits of belonging to the program and accumulating points – the more special the customer feels and the more satisfaction they derive from being a 'privileged member' the more enthusiastic they are likely to be about patronizing a business. This is depicted in the regression result which showed that perceived prestige explained 15.1% of the variability in respondent's patronage behaviour. In view of loyalty program benefits hitherto identified, respondents found more value in soft, aesthetic rewards consistent with their hedonistic selves rather than the utilitarian rewards that, as already discussed, account for majority of the respondents' motivation to acquire supermarket loyalty card.

The study found though that supermarket loyalty card was somehow important to 63.3% of the respondents during their shopping experience while in terms of satisfaction with the overall experience redeeming loyalty points, 78.5% of the respondents were satisfied. The median scores indicated that the rating of importance was 2.00 while that of satisfaction was 3.00 on a 4-point scale. These findings suggest that the importance respondents attached to loyalty programs was relatively low but level of satisfaction in

redeeming loyalty points was high. Based on Hernández *et al.*'s (2009) Importance-Satisfaction model, supermarkets loyalty programs can be located in the “surplus” quadrant, suggesting that the supermarkets can put their quality attributes aside, with less concern; and cuts can be made on costs without any negative top-line effects. This though needs to be managed with care to avoid any likely dissonance from customers.

5.3 The Mediating Role of Supermarkets' Service Quality

The results showed that after controlling for gender, age and income, convenient location and service quality improved prediction ability of loyalty program effect on customer patronage by 4.6 percentage points. However, an examination of the individual power of each variable to the model suggested that the coefficient of service quality was not statistically significant ($p > .05$). This is despite the fact that respondents were on aggregate, satisfied with nearly every service quality dimensions of the supermarkets; with mean scores ranging from a moderate of 3.19 to a high of 4.33 on a 5-point scale. This contradicts findings of a study by Bojei *et al.* (2013) which found a significant positive relationship between customer service quality with store patronage behaviour. This difference may be explained by heterogeneity of store type, as the business models of supermarkets characteristically differ from other types of retail outlets. Given that most supermarkets in Kenya are typically self-service stores, the importance of some dimensions of service quality such as product knowledge of staff may be inconsequential to shopper's satisfaction levels with service. Alternatively, the supermarkets may not be exhibiting significant differences in service quality levels on the most important service quality dimensions thereby neutralizing any significant role of perceived service quality on loyalty program effects.

So what other factors associated with retail stores influenced respondents' choice of supermarket that determined their patronage behavior? The study found that convenient location had the highest explanatory power on the variability of respondents' patronage behavior, accounting for as much as 22.2% of the difference in frequency of patronage to a supermarket whose loyalty card they possessed. In terms of importance, convenient location scored the highest mean at 4.41 on a 5-point scale, with 94.5% of the respondents indicating that it influenced their choice of supermarket to a large extent. This finding concurs with studies cited by Martinez-Ruiz *et al.* (2012) which identified

location convenience among a raft of eighty store attributes that significantly influenced patronage behavior. The results emphasize the pervasive phrase in marketing literature that underscores the importance of location in realizing patronage success (Jayachandran, 2004).

An important finding unrelated to supermarket store attribute was the fact that income was associated with patronage behavior to a statistically significant degree ($p < .05$), suggesting that level of income influenced shopper patronage. Specifically, for every unit change in income level, respondents' shopper patronage of the supermarkets increased by 12.9%. This finding agrees with a study by Chaiyasoonthorn and Suksa-ngiam (2011) which investigated the factors influencing supermarket store patronage in Thailand and found that factors household income was positively associated patronage of supermarkets.



CHAPTER SIX

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

6.1.1 Effect of Loyalty Programs on Customer Patronage of Supermarkets

Loyalty programs positively influenced patronage behaviour of consumers towards supermarkets in Kenya, although the degree of influence was relatively small. However, the programs did not determine card holder's preference to a particular supermarket's loyalty card, even when only one loyalty card was owned. Instead, preference to a particular loyalty card appeared to be determined by the supermarket brand in question, rather than the loyalty card per se; with Nakumatt and Uchumi supermarkets which are regarded as the two top supermarket brands in Kenya controlling a disproportionately large share of shopper preference. Either way, loyalty programs neither translated to more spending by the consumers nor their advocacy through positive word of mouth recommendations.

6.1.2 Influence of Perceived Value of Loyalty Program

Perceived value of loyalty program rewards determined patronage behavior of card holders to supermarkets in Kenya. Card holders were satisfied with the supermarkets' loyalty programs even though they redeemed their loyalty points infrequently. Generally, loyalty programs were not that important to card holder's shopping experience. Nevertheless, card holders were motivated by economic benefits and thus, their perceptions were of value were influenced by utilitarian objectives. However, they had a low perception of value of loyalty program rewards which potentially moderated loyalty program effects on their behavior. The loyalty programs however conferred a sense of prestige as card holders felt special. This positively influenced their patronage behavior.

6.1.3 The Mediating Role of Supermarkets' Service Quality

Although card holders were satisfied with most aspects of service quality dimensions such as store accessibility, speed of service, after-sales service and overall customer care, service quality was not a significant determinant of the supermarkets' loyalty program outcomes. Instead, store attributes that were important to card holders were: convenient location, prompt service, having everything under one roof and responsiveness of staff.

Generally, shopping was a task that card holders wished to complete within minimum time input, and thus, the speed of redeeming loyalty points and receiving the reward was potentially of paramount importance.

6.2 Recommendations For Practice

6.2.1 Effect of Loyalty Programs on Customer Patronage of Supermarkets

In order to realize competitive advantage through loyalty programs, supermarkets need to be more innovative at their rewards program offerings. To the less established brands, this requires going beyond redemption of rewards through goods and services only to making the loyalty points freely transferrable among shoppers as long as the loyalty points are redeemable at the supermarket issuing the loyalty card. Loyalty schemes should provide instant gratification through instant recognition, immediate updating of customer points, immediate redemption of points and instant discounts. Leverage can also be achieved through coalition programs with strategic partners.

6.2.2 Influence of Perceived Value of Loyalty Program

Supermarkets should exploit the sense of prestige conferred by the loyalty cards through appropriate brand positioning strategies. This calls for the right mix of marketing communication programs combined with customer relationship management to harness the latent loyalty that characterize most card holders. This should take into account changing consumer demographics, with special focus on income distribution.

6.2.3 The Mediating Role of Supermarkets' Service Quality

Since card holders put much more premium to location convenience, speed of service and staff responsiveness rather than loyalty program rewards, supermarkets should prioritize their focus on these areas of store attributes. Specifically, supermarkets that do not enjoy strong brand identity enough to translate into store preference could benefit more from reallocating resources away from loyalty schemes to improving store attributes such as speed of service and staff responsiveness as well as location convenience. For example, money spent on maintaining loyalty program systems could be redirected to hiring the right staff, motivating them through monetary rewards tied to customer delight and training them on effective customer service skills. Investment can

also be made on researching and finding the most ideal location that confer benefits to the most profitable shoppers.

6.3 Recommendations For Further Studies

From the findings of this study, it may be deduced that the business case for loyalty programs could be found in the program's effect on operational efficiency through reduced customer acquisition costs. However, this was outside the scope of the study. Thus, this should be the subject of further research on the nexus between supermarkets' loyalty programs and their competitive advantage. Quantitative measures could be applied for this purpose through the investigation of number of return visits compared to non-card holders, volume and value of purchase.

Another limitation of the current study is that the contribution of each loyalty scheme to customer patronage was not analyzed. Other studies could be conducted on the contribution of each specific loyalty scheme to supermarket performance. For example, a study could be conducted on how Uchumi Supermarket's freely transferable gift card translates into desirable loyalty outcomes such as positive word of mouth, re-patronage behavior and higher average shopper spending per visit.

Further, this study did not go into the details of analyzing the variability in patronage behavior by shopper's income level which may further help supermarket develop loyalty programs responsive to the most profitable income groups. Given that income was a significant determinant of patronage behavior towards supermarkets, another study that compares patronage behavior of various levels of income groups could be undertaken to establish their motives towards loyalty programs and the viability of loyalty schemes at each income level.

In retrospect, while statistically significant, the regression model accounted for only 5.7% of the variability in customer patronage of supermarkets, suggesting that other factors excluded from the model were overlooked yet they potentially played a larger role in the loyalty program-patronage nexus. This limitation need to be overcome by further research. In order to improve the predictive power of the model on customer

patronage, other factors such as subjective norms (social pressures) could be explored in a future study.

Another limitation acknowledged retrospectively is the fact that not all supermarkets existed in all the districts from which the respondents were drawn. Therefore, in order to give a fairer view, a similar research could be conducted strictly within the regions where all the supermarkets under study are represented.



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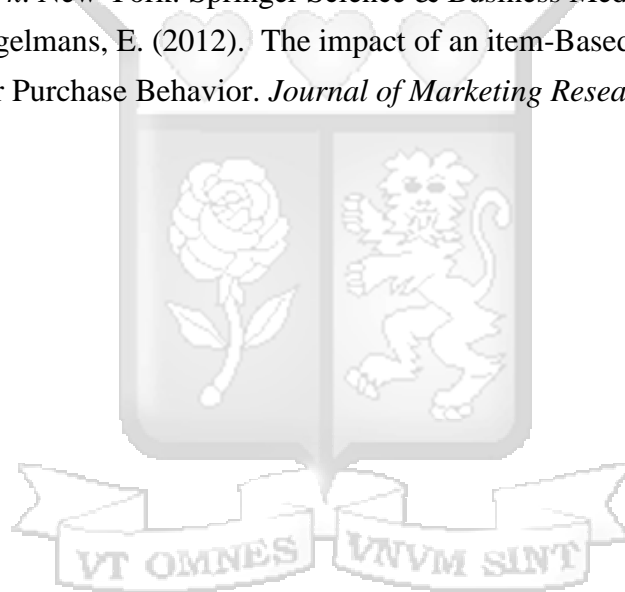
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APPENDICES

Appendix I: Questionnaire

Dear Respondent,

This is an academic research on “*The Effect of Loyalty Programs on Customer Patronage of Supermarkets in Kenya*”. As such, your responses will be treated with utmost confidentiality and findings will be used for academic purposes only. The questionnaire is divided into 5 sections with brief questions which should take only a few moments of your time. Please place a tick (✓) or fill in your response in the blanks as and where appropriate. Thank you in advance for your cooperation.

For any further inquiries, please feel free to contact:

Peter Wathigo
Researcher
(0722 741 647)
Strathmore Business School, Strathmore University

SECTION A: KNOWLEDGE OF LOYALTY PROGRAM FEATURES/ BENEFITS AND ADOPTION PATTERNS

1. Are you aware of loyalty cards being issued by supermarkets in Kenya?
Yes No
2. Do you possess a loyalty card by from any of the supermarkets in Kenya?
Yes No
3. If Yes, how many cards do you have in total from different supermarkets?

4. Which of the following supermarkets do the card(s) belong? (*Please tick as many as apply*)
Nakumatt Uchumi Tuskys Naivas Eastmatt
Other (please specify) _____
5. What is the one thing that motivated you to acquire the supermarket’s loyalty card that you have? _____

6. Are you attached to any particular loyalty card?
 Yes No
7. Do you have a specific supermarket where you always do your shopping irrespective of location?
 Yes No
8. If yes, which one (Please tick one only)?
 Nakumatt Uchumi Tuskys Naivas Eastmatt Others
9. Which of the following benefits is offered by the supermarket which issued you the loyalty card? (Please tick as many as apply)
 Preferential treatment
 Free goods
 Discounts
 Cash rebates
 Other benefits (please specify) _____
10. Are you aware of the minimum number of points you need to accumulate before you can redeem?
 Yes No
11. Do you know the requirements and documents needed for you to redeem loyalty points?
 Yes No If yes, please name them? _____
12. How many times have you redeemed your loyalty points since obtaining it?
 Never redeemed
 Only once
 Twice
 Three times
 At least four times
13. When did you last redeem your loyalty points?
 A week ago
 A month ago
 Several months ago

- A year ago
- Many years ago
- I don't remember

14. How long did it take you to accumulate your loyalty points before you could benefit from the loyalty program?

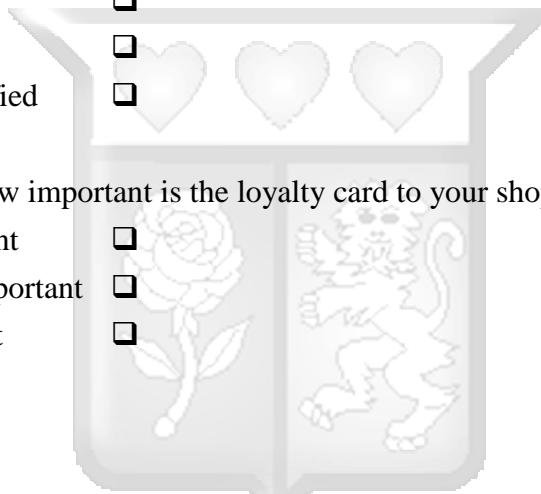
- Just a few months
- Several months
- At least a year
- I don't remember

15. How satisfied are you with your overall experience redeeming the loyalty points?

- Very satisfied
- Satisfied
- Dissatisfied
- Very dissatisfied

16. Generally, how important is the loyalty card to your shopping experience?

- Very important
- Somehow important
- Not important



SECTION B: EFFECT OF LOYALTY PROGRAMS ON CONSUMER PATRONAGE OF SUPERMARKETS IN KENYA

17. How frequent do you shop at the supermarket where you have a loyalty card?

- Very often
- Often
- Occasionally
- Rarely

18. Generally do you spend more while shopping at the supermarket in which you hold a loyalty card than any other supermarket?

- Yes
- No

Please indicate whether you agree or disagree with the following statements

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
19. I am more likely to shop at the supermarket in which I have a loyalty card					
20. I have recommended to my friends to shop at the supermarket where I usually shop					
21. Generally, my shopping behaviour has changed since owning a loyalty card					
22. I am always willing to spend more whenever I visit the supermarket where I have a loyalty card					

SECTION C: INFLUENCE OF PERCEIVED VALUE OF LOYALTY PROGRAMS ON PATRONAGE BEHAVIOR

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
23. The rewards of a loyalty program are worth the effort					
24. Loyalty program benefits are highly valuable					
25. I can choose from a variety of rewards that suits me					
26. I can always earn the loyalty program rewards within a reasonable time period					
27. Most rewards of a loyalty card are achievable within a reasonable time period					
28. The loyalty cards are easy and simple to use					
29. Owning a loyalty card makes me feel more special					
30. It is easy to track my loyalty points					

SECTION D: THE MEDIATING ROLE OF SUPERMARKET'S SERVICE QUALITY ON LOYALTY PROGRAM EFFECTS

How do you rate your level of satisfaction with the quality of service you receive from the supermarket where you own a loyalty card? (1= very dissatisfied; 5= very satisfied)

	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied
31. Product/service quality					
32. Staff knowledge					
33. Store accessibility					
34. Speed of service					
35. Staff courtesy/ friendliness and concern for customers					
36. Product prices					
37. After sales service					
38. Overall customer care					

To what extent do the following factors influence your choice of supermarket where you always do your shopping?

	Very large extent	Large extent	Small extent	Very small extent	No effect
39. Convenient location					
40. Opening and closing hours					
41. Responsiveness of staff					
42. Easy accessibility					
43. Everything under one roof					
44. Speed of service					

SECTION E: CONSUMER DEMOGRAPHICS

This section is intended to capture the general information about participants in the survey to determine trends and patterns. Kindly supply the following information:

45. What is your gender

Male Female

46. What is your age in years?

18 – 29

30 – 39

40 – 49

50 plus

47. What is your approximate household income per month?

Less than Kshs 50,000

Between Ksh50,000 – 100,000

Ksh 100,000 or more

48. In your household, who goes shopping mostly?

The lady in the house

The man in the house

49. We usually go shopping together How do you feel about the idea of shopping generally? (*Please tick one*)

It is an enjoyable leisure activity which I would go on doing

It is a task I would want to accomplish with minimum input of time and effort

50. Which of the following divisions of Nairobi best describes the location of your residence?

Nairobi West

Nairobi East

Nairobi North

Westlands

====THANK YOU FOR YOUR TIME AND COOPERATION====

Appendix II: Supermarkets and Locations

NAIROBI EAST		
	NAME OF SUPERMARKET	LOCATION
1.	UCHUMI	BURUBURU – EAST
2.	NAIVAS	UMONJA 3- EAST
3.	NAKUMATT	KAYOLE- EAST
4.	TUMAINI	DONHOLM- EAST
5.	KASMATT	KAYOLE- EAST
NAIROBI WEST		
	NAME OF SUPERMARKET	LOCATION
6.	TUSKYS	LANGATA ROAD-SOUTH
7.	NAKUMATT	MOMBASA ROAD-SOUTH
8.	NAIVAS	RONGAI-SOUTH
9.	UCHUMI	LANGATA ROAD-SOUTH
10.	TUSKYS	RONGAI-SOUTH
NAIROBI NORTH		
	NAME OF SUPERMARKET	LOCATION
11.	NAIVAS	THIKA ROAD
12.	UCHUMI	THIKA ROAD
13.	KASSMATT	MWIKI
14.	EASTMATT	KASARANI
15.	TUMAINI	GITHURAI
WESTLANDS		
	NAME OF SUPERMARKET	LOCATION
16.	NAKUMATT	WESTLANDS-WEST
17.	NAIVAS	KINOO-WEST
18.	NAKUMATT	VILLAGE MARKET-WEST
19.	TUSKYS	WANGIGE-WEST
20.	KASSMATT	KIKUYU-WEST
21.	UCHUMI	WESTLANDS-WEST